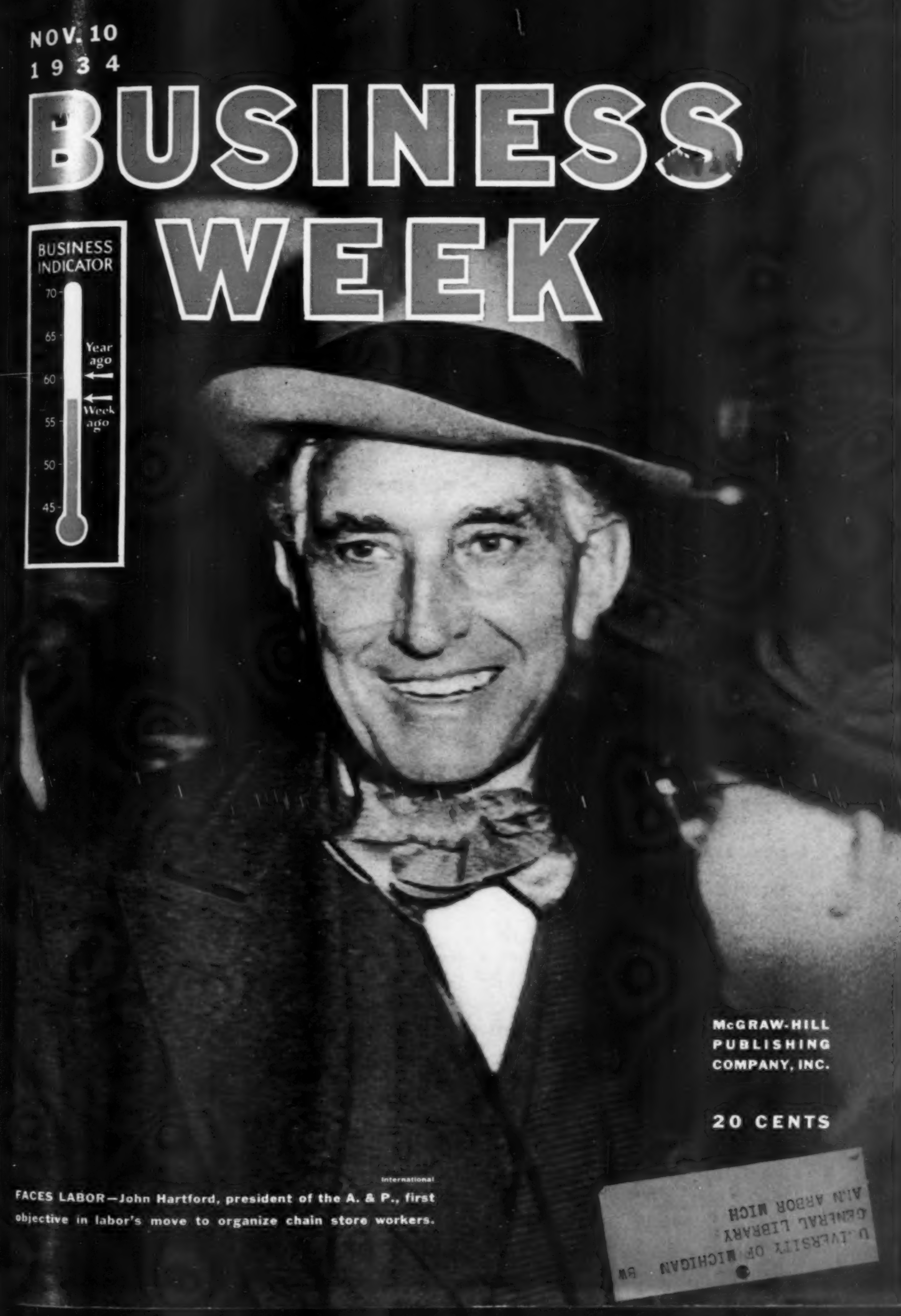
NOV. 10
1934

BUSINESS WEEK



International

FACES LABOR—John Hartford, president of the A. & P., first objective in labor's move to organize chain store workers.

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The Business Outlook

POLITICAL developments both abroad and at home overshadowed the business situation of early November. Critical events in France again threatened the position of the gold bloc countries. At home, the unexpected extent of the support of the New Deal party threw into confusion conservatives counting on some symptoms of dwindling enthusiasm. It became glaringly apparent that the general public, recipient of the bounty of New Deal measures, was not averse to its continuance. Business, in the minority when it goes to the polls, failed to register its misgivings and disapproval decisively except in California.

Yet the overwhelming success of the Democratic party in the off-year election is not likely to prove an unmixed blessing to the Administration. The urge to spend freely will make itself prominent early in the next session of Congress. The veterans will ride in on the tide of budgetary inflation and claim their bonus. Expectations are, however, that the final settlement of the issue will be much more modest than their current demands.

F.D.R. as Moderator

With Congress set to spend right and left in the name of recovery, the President will be forced to assume the rôle of stabilizer and moderator. In this rôle, he will need the support of business generally.

Time to Speak Up

In the next 2 months before the convening of Congress in January, business will have its best opportunity to exert pressure for such modification of the alphabetical organizations as it desires. Labor will leave no stone unturned to get a definition of the meaning of Sec. 7-a more to its liking.

Codes to Live On

That NRA and AAA will persist after June, 1935, possibly under new names, seem certain. The soft coal and 23 durable goods industries have endorsed the underlying principles of the codes, and expressed themselves in favor of open-price provisions. Other industries, like motors, find little value in the codes. Meanwhile, the reorganized National Emergency Council headed by Richberg, becomes the dominating factor in NRA circles. It is working quietly, devising suggestions for next year's legislation.

AAA Looks Ahead

AAA, less dictatorial concerning next year's crop curtailment plans and more willing to permit the farmer to voice his own opinions concerning production cuts, is favoring some increase in cotton and wheat production for 1935. With the lure of prices substantially higher than a year ago, it would be inexpedient to leave the farmer to his own devices now, with the risk of bumper crops and a price collapse. AAA will ease itself gradually out of the agricultural picture over a period of a few years. It concedes that its price-boosting program has dealt the foreign export market a blow. Clamors are now arising in some quarters for utilizing the processing tax to expand the foreign market for cotton.

Automobile Developments

Industrially, the automobile industry provided the chief highlight of the week. The automobile code was extended for 90 days to Feb. 1. Henry Ford declared the depression was over as far as he was concerned, said 1935 would be a million-car year for him. Both announcements carried good and bad aspects. Extension of the code by executive order without modification prevented a break in labor relations on the eve of starting the 1935 models. Labor leaders, recalling the promise of Johnson to reopen the code, were disappointed, but cheered at the prospect of a federal investigation of annual wages and seasonal fluctuations in employment. Then, too, the next consideration of code extension will fall at the height of the production season, giving labor a powerful club to enforce its demands in contrast to its present helplessness.

Keen Competition Ahead

Ford's announcement elicited very little comment from his competitors. To them, the prospect of a million-car year for Ford might spell a smaller proportion of the motor market for them. They are a bit uneasy over the reported attractiveness of the new models coming from Dearborn, and especially over the price tag attached. There is no question but that competition will be keen next year, that the fair-sized expenditures for new equipment in motor centers were forced by the necessity to cut corners off costs.

A.&P. Makes Peace

Plans whereby the Great Atlantic & Pacific Tea Co. was to reopen its Cleveland stores and rehire former employees were drawn up by the National Labor Relations Board, accepted by the employees, and considered deliberately by the company. Acceptance of the terms involved meeting union committees, no discrimination for union membership, no coercion by unions, abolition of strikes and lockouts if differences arose over truce terms with resort to arbitration. Other retailers wonder if this proposal will serve as a model when their turn comes.

5% for Mortgages

That the federal government intends to push its housing drive to the fullest extent in the conviction that it is the key log in the durable goods industry jam was further evidenced last week by announcement that 5% should be the basic interest rate on home mortgages insured under the Housing Act. The rate will be uniform throughout the country. The President took the opportunity to condemn the high rates that frequently featured mortgage transactions. Guaranty Trust Co. of New York, reputed the largest institution in the mortgage field, promptly requested permission to qualify on the 5% basis.

Housing Plans

Moffett and Richberg are stressing the importance of keeping the housing drive in private hands, rather than forcing the government into the field. This would jibe with the proposal of the Chamber of Commerce involving $15 billions of residential building spread over a period of 10 years. Construction would be at the rate of 750,000 units a year, which is fully 10 times the current rate. Price reduction on hardwood lumber ranging from 2%-14% has been recommended by the code authority.

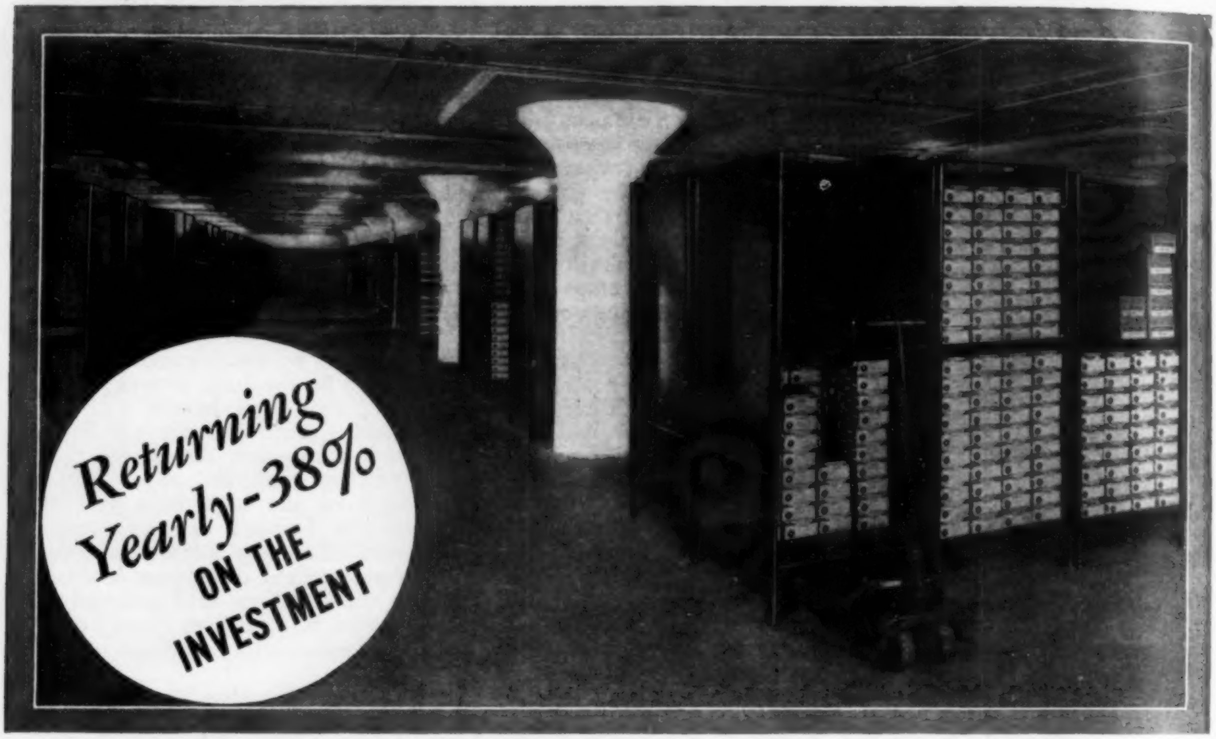
Production Points Upward

Steel, automobile, and textile activity should lift the production level of November and December above the October level. Merchants are counting on Christmas trade well above last year, with toy manufacturers figuring on $200 millions of business, 10% higher than 1933.

Oil and tire prices are on the rise again, with producers hopeful that they can be maintained above the recent lows. Residential construction of the first 3 weeks of October makes a good increase.

Discovered!

25,000 MISPLACED DOLLARS



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Above: Partial view of Lyon Steel Shelving Installation at W. F. Schrafft & Sons, Large Nationally Known Candy Manufacturers at Boston, Massachusetts

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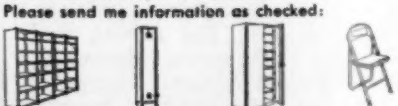

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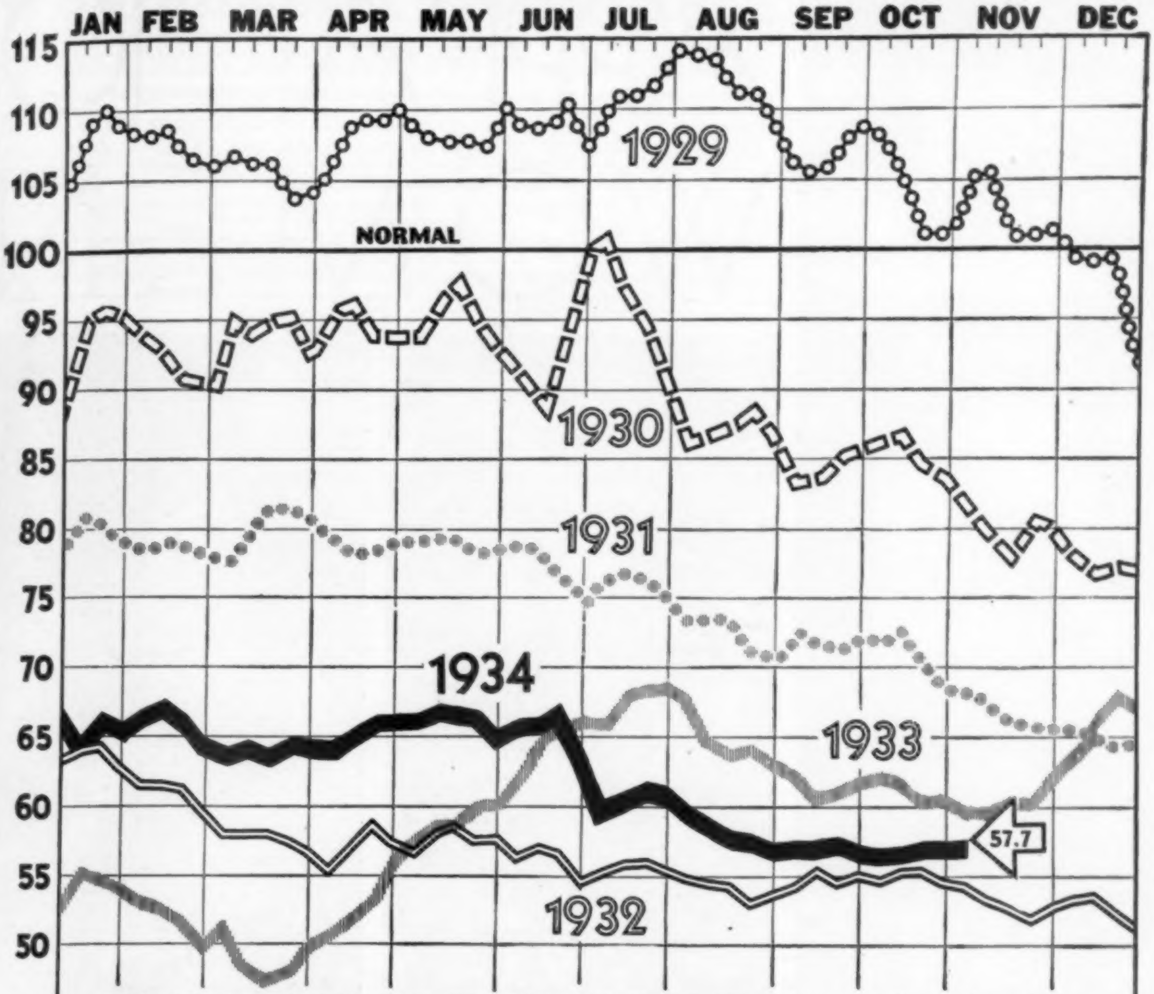


BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Year Ago	Average 1929-33
	*57.7	†57.5	60.1	73.8
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	26.3	25.0	25.2	38
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$5,133	$4,969	$5,626	$10,089
★ Bituminous Coal (daily average 1,000 tons)	*1,186	†1,183	1,230	1,507
★ Electric Power (millions K.W.H.)	1,669	1,677	1,583	1,663
TRADE				
Total Carloadings (daily average, 1,000 cars)	104	107	107	137
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	68	68	68	88
★ Check Payments (outside N. Y. City, millions)	$3,196	$3,187	$3,048	$4,402
★ Money in Circulation (daily average, millions)	$5,470	$5,455	$5,365	$5,160
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.99	$1.01	$.84	$.76
Cotton (middling, New York, lb.)	$.123	$.125	$.098	$.103
Iron and Steel (STEEL, composite, ton)	$32.13	$32.12	$30.27	$31.40
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.078	$.094
All Commodities (Fisher's Index, 1926 = 100)	78.7	78.8	71.8	75.3
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,457	$2,456	$2,556	$1,922
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,837	$17,850	$16,749	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,756	†$4,760	$4,989	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,051	†$3,074	$3,604	......
Brokers' Loans, Federal Reserve reporting member banks (millions)§	$846	$859	$832	......
Stock Prices (average 100 stocks, Herald Tribune)	$96.28	$95.82	$95.86	$119.96
Bond Prices (Dow, Jones, average 40 bonds)	$93.22	$93.51	$82.12	$86.73
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	¾%	2.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1¼%	3.3%
Business Failures (Dun and Bradstreet, number)	233	225	294	455

* Preliminary † Revised ★ Factor in *Business Week* Index § New series

APPEAL TO WOMEN

SPECIALTY SHOPS selling women's clothing placed more advertising in the Tribune during the first nine months of this year than they placed in all afternoon papers combined.

LOOP (DOWNTOWN) department stores during the first nine months of 1934 placed more advertising in the Tribune than in any other Chicago newspaper.

TOILET REQUISITES advertisers during the first nine months of this year placed more advertising in the Tribune than they placed in any other Chicago newspaper.

WOMEN who read the Chicago Tribune may have a special interest in articles on beauty, babies, cooking, or other feature material of specific feminine appeal, but no single feature, no group of features, are responsible for the Tribune's success in winning the largest audience of women readers in metropolitan Chicago. • The Tribune is read by women—as by men—because it prints the news. As the result of building a newspaper which people want, the Tribune today has the volume of circulation—the market coverage—which manufacturers and merchants, whether they appeal to women or to men, require in order to get volume of sales at economical advertising cost in the Chicago market.

CHICAGO TRIBUNE THE WORLD'S GREATEST NEWSPAPER

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Business men who thought wishfully that the Administration would be rebuked at the polls Tuesday now have to face realities. When they get through figuring out the situation, they are likely to reach the conclusion that it is Roosevelt, "or else"—

The President's big problem now is to prevent a Congress wild to spend money from upsetting a program for recovery which the President believes is beginning to work.

Roosevelt foresaw the problem before the returns came in. That is why, several weeks before election, he made his friendly overtures to the bankers and to the business community.

> ***THIS WEEK***
>
> ***The election results, and how they explain the President's friendly gestures toward the banks and the business world.***
>
> ***Some vetoes to be expected.***
>
> ***F.D.R.'s idea of a fair return on capital.***
>
> ***Unemployment insurance prospects.***

"A Mandate to Spend"

The Roosevelt veto is going to be the only bulwark between business and a Congress which believes it has a mandate to spend limitlessly—for the veterans' bonus, for paper money, for more silver, for vast appropriations. To hold Congress in check, Roosevelt will need the backing of the solid interests.

Things to Be Blocked

He probably will be able to stop immediate bonus payment. He certainly can prevent printing-press money. He will have done so much for the silver people that he can hold them in line. With the New Deal overwhelmingly endorsed at the polls, and with his own reelection assured two years hence unless there is some big upset, such as an economic débâcle, his job is to prevent such a débâcle. Now he turns his attention to preventing an upset, and in this, he knows the cooperation of the business community can be of great assistance.

Business Can Help

His aim is to build up revenues so that balancing the federal budget is at least in sight on the horizon, if not within immediate reach. Improving business will help accomplish this, because better business yields better taxes, and besides takes people off the relief rolls.

The President therefore will continue his friendly gestures toward business. The radicals who were so jubilant on election night are likely to wake up and find everything is not going to swing left.

5% a Fair Return

The most important business news out of Washington since the inauguration of Roosevelt is his pronouncement, his first, on what he thinks is a fair return for capital. It is 5%. Apparently, he means 5% net, because he was talking about first mortgages, and believes that under the government insurance plan, there will be no losses on such investments. This is better than business men expected from him.

Bad News for Radicals

This is a wet blanket on radical advisers, and, incidentally, it upholds what these dispatches to *Business Week* have been saying from the start —that Roosevelt wants to preserve the present capitalistic system, but with profits pared so low that the question was whether capital would play ball.

Still More for Farmers

Addition of $2 billions more a year to farm prices is the goal of Secretary Wallace, assuming other income remains stationary. Should other income rise, agriculture must advance proportionately, which means that pressure to raise relative farm incomes by AAA procedures will continue. Voluntary crop reduction, with liberal payments for it, is certain, all thought of compulsory control having been abandoned.

Step by Step, says NRA

Fear that Richberg favored a "big stick" policy for NRA is being dissipated. Ideal business and labor conditions remain NRA's objective, but the policy will be to move step by step as precedents are established in a comparatively new field of law. Richberg has pledged his word that majority rule will not be permitted to abridge minority rights, that, in writing industrial law, only customs so well-established that they have almost universal support will be translated into compulsory rules. Now that consistency and legal precepts will be given weight, there is some hope that compliance problems can be handled effectively, and that NRA's policy will afford a basis for enforcement by the Department of Justice and the courts.

Unemployment Insurance Sure

Unemployment insurance seems certain to be enacted this winter. Apparently a 3% tax on payrolls is the present intention of the Administration leaders. Two-thirds of this would be taxed against the employers and one-third against the workers. Automatic proportioning of income to labor's needs would thus be accomplished in normal times. No one, however, can see how such legislation can give early relief under present depression conditions. Relief burdens, therefore, will still continue to be a direct tax on the federal treasury.

No New Bank Laws

New developments in the Administration finance program will appear shortly, now that election is past. A Governor of the Federal Reserve Board will be named and vacancies in RFC and the Federal Deposit Insurance Corp. will be filled. *Business Week's* observation that the Administration was using Central Bank talk as a lever to force the bankers into line, and as an alternative to unlikely failure to control the Federal Reserve Board and the Comptroller's office was borne out by Senator Fletcher's announced opinion that no new banking legislation is needed at the next session.

Chasing Silver Profits

The Treasury will proceed against any corporation which acquired more silver prior to nationalization than its reasonable needs seemed to demand, as was the case with the Eastman Kodak Co. The government wants all the profits possible from the silver maneuver.

Still Buying Silver

The government continues to buy silver abroad, despite the fact that the dollar is advancing in terms of foreign exchange, and gold is coming here. The explanation of the gold and exchange situation is to be found in the current flight of capital from France.

BUSINESS WEEK

NOVEMBER 10, 1934

Motor Labor Leadership

Automobile industry shows how the labor problem raised by outside organizers can be met by intelligent handling of labor relations from the inside.

AMERICAN industry saw in the renewal of the automobile code without change on Nov. 3 convincing evidence of what it can do with and for labor relations when it applies to them the same intelligence and forethought that it has directed to other phases of management.

Last spring, labor organizers semed to be definitely in the ascendancy in the greatest unorganized American industry. Automobile manufacturers faced them in almost every plant. A strike threatened to smash the first promising year since the depression started and was only settled by an appeal to Washington.

Organizers Checked

Since then, the American Federation of Labor has definitely lost ground in the automobile industry. When the code came up for renewal this month, as when it previously came up in September, the federation had to admit, by the weakness with which it pressed its demands, that it was not in a position to speak for the automobile workers, as it had claimed to be last spring.

What has happened in the meantime is that automobile manufacturers have been applying the lessons they learned in the spring, doing their own organizing, taking definite steps to cement relations with their own men, and doing it with far more skill and aggressiveness than the A. F. of L. has shown.

General Motors has drawn up and published a liberal labor policy, carrying conviction as to its intentions to give its workers fair representation in discussing their problems with the management. It has embarked on a far-reaching campaign to develop discretion and a sympathetic attitude toward labor among foremen and other subordinate officials who make the most direct and important contacts with labor. Mr. Chrysler has been perfecting a works council plan that has definitely taken the sting out of the federation's assaults on his company. Other concerns have employed similar methods to prove to workers that their interests lie with the industry rather than with the outside unions. The results were evident at Washington last week.

Motor executives got the labor provisions of the code continued as was without any disturbing hearing on labor's demands for minimum wage increases, higher rates for skilled workers, shorter work-weeks. They held on to their unique merit clause which states ("flaunts," says labor) their right to hire and promote on a merit basis without regard to union membership. They got the opportunity to demonstrate that they were still men of goodwill playing ball with an Administration that is now showing more interest in going out on the diamond with business. Except for this last, they had little concern in whether the code kept or not. They do their own trade practice housecleaning and have never felt that this purely labor code gave them anything.

What Labor Got

Labor got Presidential publicity for its complaint about the effect on the annual wage level of peak seasons and long layoffs, promise of a White House investigation of the seasonal swing, and a resumption of the argument scheduled for what might be an awkward date for the manufacturers. It also got badly needed time to mend the somewhat ragged fences it has been trying to build around the automobile plants.

The government got out of an unpleasant pre-election controversy and a demonstration that NRA isn't even as smooth as it looks.

The industry as a whole stands by the proportional representation plan incorporated in the President's settlement of its threatened strike last spring. It says

Wide World

RAILROAD EXECUTIVES—Directors of the new Association of American Railroads meet at headquarters in Washington. Seated (left to right): Daniel Willard, president, Baltimore & Ohio; J. J. Pelley, president of the association; C. R. Gray, president, Union Pacific; Hale Holden, chairman, Southern Pacific, and J. J. Bernet, president, Chesapeake & Ohio. Standing: W. R. Cole, president, Louisville & Nashville; H. A. Scandrett, president, Chicago, Milwaukee, St. Paul & Pacific; L. A. Downs, president, Illinois Central; M. W. Clement, vice-president, Pennsylvania, and E. S. French, president, Boston & Maine.

it would welcome an Automobile Labor Board ruling setting up proportional representation councils in each plant, is willing to take its chance on A. F. of L. domination in some plants. Its principal concern is that all members of the employees' collective bargaining groups shall be bona fide plant workers.

Majority Rule Wanted

That, of course, is where the A. F. of L. balks. The union leaders think they were bilked in the President's settlement and have since been shouting for majority rule along the lines of the National Labor Relations Board's decision in the Houde case—in which, incidentally, the NLRB noted an exception for any industry which had made a different settlement, as the motor industry did.

The federation doesn't like the Automobile Labor Board's policy of confining its work to hearing cases of discrimination and greasing the ways for mediation of disputes. Things have been altogether too quiet: it takes issues and grievances to produce membership dues. What seems a reasonable claim that the board should promulgate an industry bargaining formula, thereby stirring up sleeping issues, encounters an annoying conviction among nonpartisans that the board is doing a pretty good job in keeping the peace, and that, anyhow, the A. F. of L. isn't really powerful enough in the industry to press its claims.

Change in Labor Leadership

Retirement from Detroit of William Collins, chief automobile organizer for the federation, may increase the difficulties of keeping the peace—and ignoring the unions. Union members who thought that Collins wasn't reckless enough now get Francis J. Dillon, an A. F. of L. man of the old school who is likely to take more chances, particularly under the strain of seeing the management strengthen its position with the workers and the public. Dillon was in charge of labor affairs at Flint early in the year and Collins is reported to have held him in check several times.

As was expected, renewal discussions gave most attention to labor's objections to code provisions allowing the industry to run 48 hours a week in peak periods so long as the year-round maximum averaged 35 hours. The President has previously wondered if something couldn't be done about seasonal operations that concentrate work and leave long layoffs in their wake. Just what the automobile industry can do about this remains problematical. The abolition of the national show to which Mr. Roosevelt referred is not really a subject for an epitaph. Shows will be local dealers' affairs hereafter, but the change isn't likely to make much difference except to eliminate the sideshows which some manufacturers have hitherto put up outside the main tent. Staggering or spreading of new models is also rather more theoretical than the President implied. (However, there is a helpful new tendency to "bring out something" for the shows and then come out with still newer features when buying gets actually under way.)

Manufacturers have, indeed, been making studies of the possibilities of evening out the employment curves and Presidential pressure will help, particularly if the buying public can be persuaded to agree to changes in the automobile marketing program.

Staggered Models

General Motors announces plan to level employment by spreading new models.

GENERAL MOTORS takes the first step to even the jagged employment curve, announces this week a "stagger plan" for new models. G.M. will try to level consumer sales—and hence production —"through a readjustment of the time of new model introduction."

"In the future," says President Sloan in his third-quarter report, "certain new models will be introduced in the late summer or early fall, as distinguished from the introduction of all new models at the end of the year, or the beginning of the following year—the current practice of General Motors and of the industry in general."

Normally, about 60% of the industry's yearly output is sold to the consumer in the first 6 months. Sales in November and December are approximately 7.5% of the total for the year as against 24% for April and May.

G.M. aims to remedy the unbalanced situation, in which additional workers are required in the peak and employment and payrolls are limited in the rest of the year. By spreading new models—and sales—the company hopes to broaden the spread between the worker's income and cost of living.

Who's a Wholesaler?

Electrical group defines duties and functions in formal style.

"WHAT is a wholesaler?" is answered in a carefully drawn definition by the National Electrical Wholesalers Association at its recent Detroit convention. The definition was the prelude to a concerted drive to secure the support of manufacturers in extending wholesalers' discounts only to those who so qualify. The genuine wholesaler must do 75% of his business in sales "at wholesale to dealers for resale, to electrical contractors, to steam and electric railways, to federal and state governments and municipalities, to public utilities, to industrial companies which have electrical maintenance departments, and to manufacturers requiring electrical materials in fabrication of product."

The definition is further limited by requirements that the wholesaler perform at least 3 of the following 5 functions: maintain and warehouse adequate stock; maintain delivery and pickup service; maintain a trained selling organization to promote and handle service calls; distribute catalogues of the most essential items of the industry; extend justified credit and "not perform wholesale functions to secure wholesale prices for the benefit of associated and allied persons, firms, or corporations."

A.&P. Signs on the Line

Unions move swiftly to capitalize in other cities their chain store victory in Cleveland.

THE Great Atlantic & Pacific Tea Co. has decided to accept the 7-union, 7-point, peace plan promulgated under the argus eye of the National Labor Relations Board at the recent Washington conference (*BW—Nov3'34*), and labor feels its first major thrust into the retail field was highly successful.

Few of those representing other large retail interests expected such an early end of the quarrel and such complete surrender. The dramatic closing of the 293 A.&P. stores in Cleveland and Cuyahoga County was taken as the chain's challenge and warning that the chain would tolerate no intimidation, stood ready to sacrifice millions of dollars of its retail sales volume for the sake of preserving its freedom of action.

Some retailers, familiar with the competitive situation in Cleveland, even suggested that the A.&P. could well spare the stores involved, might find its net earnings improved because that group, representing less than 2% of the total number of stores operated by the chain (15,131), was reported as lagging behind in both sales and profit showing. They argued also that the A.&P., with its units flung clear across the nation, each unit extremely vulnerable to picketing, flying squadron tactics, and violence, could well afford to make the Cleveland sitautìon a test case through which to determine an effective

and satisfactory basis of handling the threat of unionization.

With both sides now committed to the 7-point plan, a basis of handling the situation has been found, but it is far from what other chains and large retailers had hoped for, and by many is considered a decidedly important victory for labor.

The peace plan provides that: (1) the unions call off the strike; (2) the company reopen the stores and reinstate all employees without discrimination; (3) the company agree to meet union committees for collective bargaining; (4) the company agree to notify all employees that it has no objection to affiliation with unions; (5) the unions agree to refrain from coercion or intimidation to join up; (6) differences must be referred to an arbitrator, strikes and lockouts are barred; (7) the company is to resume contracts with trucking companies and the latter's employees are to be reinstated.

Contracts covering these points and effective until June, 1935, are to be signed by A.&P. and 7 unions: Bakers Union No. 19, District 54 of the International Association of Machinists, Firemen's Union 52, Managers and Clerks Union 712, Meat Cutters Union 427, Stationary Engineers Union 689, and the Warehousemen's Union. Cleveland A.&P. stores were reopened after less than 2 weeks of idleness and without any loss of pay for the 2,200 employees in the district.

Labor Moves In

Meanwhile developments in other cities indicate that labor leaders are going to move swiftly and decisively toward consolidation of the gains they have won at Cleveland, are mobilizing all available forces for driving deeper into a field that promises perhaps faster and fatter gains than any that the production field offered in recent years even under the benevolent impetus of NIRA's Section 7-a.

Indications are that it will strike next in the very heart of chain store distribution, metropolitan New York and New Jersey. Union leaders are preparing contracts to present to local chains, as James Butler, H. C. Bohack Co., Inc., having upwards of 600 stores in the New York area, and say that they will tackle the nationally-operating chains along the Atlantic seaboard next.

In Essex County, New Jersey, which includes Newark, a city with 450,000 inhabitants, the Essex Trade Council is moving to center its attack on A.&P. employees, has American Stores workers scheduled for unionization, and also several of the smaller local and semi-local chains. It is using the same cut-the-supply-line strategy that the unions employed successfully in Cleveland, brags about the fact that after tying up wholesale deliveries for only one night (via Teamsters Local No. 478), the Mutual Grocery Co. of Newark gave workers the desired pay increases.

Home-Building Push

Federal Housing Administration starts out to revive residential construction by stabilizing the mortgage market and fixing interest rates at a history-making 5%.

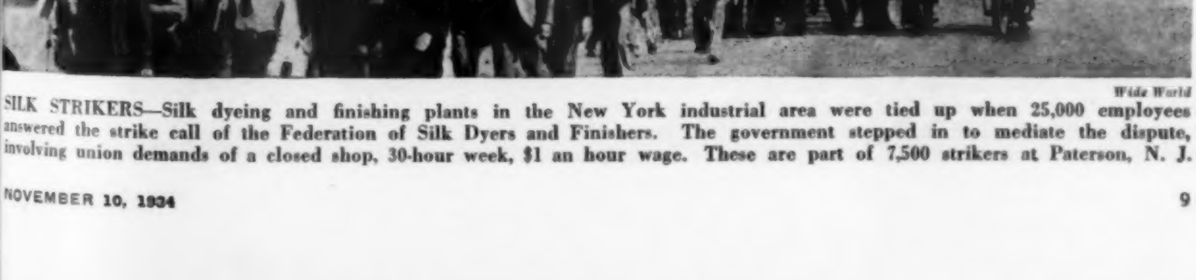
THE Roosevelt Administration made history last week when it fixed 5% as the approved rate for first mortgages on real estate. Full implications of this program, which ramifies into savings banks, building and loan associations, and insurance companies, are not yet grasped. But the significance of the move can hardly be exaggerated.

The weapon is simple, but powerful. Unless interest rate meets the government maximum, a mortgage is not insurable. But if it is a 5% mortgage, the holder is bulwarked against loss. The idea is that no lender can exact more than 5% on a desirable loan—too many competitors will grab for such loss-proof investments.

Intended to enable more people to buy and pay for their own homes by spreading the cost and reducing financing charges, FHA's mortgage insurance plan will commence operation Nov. 15 but will not run into much volume before next spring. The new legal basis provided by the National Housing Act also is designed to attract capital to this field of investment under conditions described as favorable to building up a nationwide mortgage market, as all insured mortgages must conform to standard specifications.

The insurance plan applies to homes, old and new, for 1 to 4 families. Aggregate mortgage liability that will be insured in both cases is $1 billion. Because the insured-mortgage dwellings must be economically sound, only loans on well-located city property are eligible for insurance. It is not proposed to set up more farmers in the crop curtailment business. The Farm Credit Administration has refinanced $1.2 billions of distressed farm property to date and FHA's plan for reorganizing the urban home mortgage market follows clean-up by the Home Owners' Loan Corp. of $2 billions of distress paper.

FHA's regulations do not face squarely the question whether it will insure the mortgage of a speculative builder. The law does not exclude him. FHA can give a commitment to insure the mortgage in advance of construction and the borrower does not have to live in the house after construc-



Wide World

SILK STRIKERS—Silk dyeing and finishing plants in the New York industrial area were tied up when 25,000 employees answered the strike call of the Federation of Silk Dyers and Finishers. The government stepped in to mediate the dispute, involving union demands of a closed shop, 30-hour week, $1 an hour wage. These are part of 7,500 strikers at Paterson, N. J.

tion. It is obvious, therefore, that the builder of houses for sale is not barred if he qualifies otherwise as an eligible mortgagor. But FHA appears to be reluctant to advertise the fact at present.

The Housing Administration specifically states that there is inherent in its program no artificial stimulation for new construction activity. It hopes that residential construction can be revived to keep pace with other industries. Growth to its normal volume is expected to follow stabilization of the mortgage debt structure by the new system of long-term financing.

Shortage of Homes

Against a shortage grandly estimated at 1 million to 1¾ million homes, the $1 billion liability limit initially will cover construction, if private capital goes to work, of perhaps 250,000 homes on a present average cost of $3,800 reported by the Bureau of Labor Statistics for a 1-family dwelling, exclusive of lot. This assumes that the borrower's required equity of not less than 20% is represented by the land. FHA's operation may expand indefinitely as the contingent liability against the mortgage insurance is reduced by amortization.

The fundamental feature of the plan is complete insurance of mortgages running up to 20 years for $16,000 but not over 80% of the appraised value of the property. On the financing of new homes eligible for insurance the top interest rate is 5% plus a service charge of ½% and an insurance premium of ½%. President Roosevelt insisted on the uniform rate although aware that "in the beginning this may cause less response on the part of lenders and investors in some sections of the country." In line with common practice, FHA's inclination was to permit rates to vary between 5% and 6%, the limits fixed by the new law for insured mortgages.

Interest Limitations

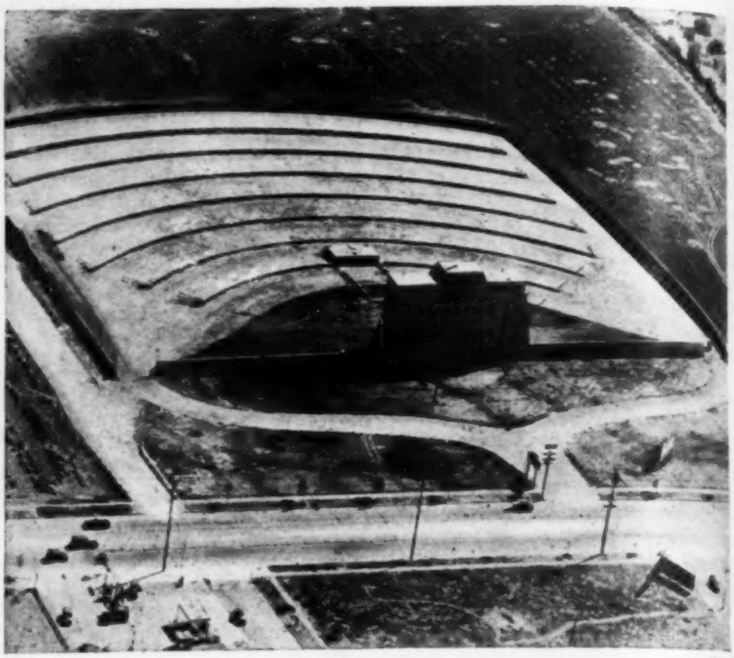
Five per cent plus an insurance premium of ½% but no service charge is the limit on financing sale or resale, without change of lender, on houses built prior to June 27, 1934. On refunding of present mortgage on existing property the maximum interest rate is 5½% plus an insurance premium of 1% and a service charge of ½% with change of lender, none with no change of borrower or lender. The insurance premium must be paid annually on the original face value until the mortgage is fully paid off. All that is not required to pay insurance losses and administrative expenses, however, will return in the form of a credit on the principal.

Any borrower who regards the cost under FHA's limits as high is invited to check the advantages of its plan against conditions under which mortgage money now is obtainable. Even if able to obtain a first mortgage at 6% or 7%, he is usually unable to borrow more than 50% to 60% of appraised value. If obliged to borrow altogether 75% or 80%, he must give a second mortgage on which charges are very high. In addition, both first and second mortgages usually are for short terms so that when the time comes to renew, he is faced with the uncertainty of renewal or refunding and is obliged to pay heavily for the privilege.

Much depends, however, on the liberality of FHA's policy. Insured mortgages up to 80% of the appraised value may make secondary financing unnecessary but 80% is allowed only "in case of necessity" and no secondary financing is permitted in any event. FHA is proceeding cautiously but explains that experience will permit, if not require, revision of initial limitations and restrictions.

Home mortgage financing institutions that resist FHA's attempt to reorganize the mortgage market face the prospect that the government can be driven into direct loans for residential construction. Consideration has been given to utilizing $1.2 billions of postal savings deposits for this purpose.

To receive the applications of lending institutions that desire to operate under the FHA system, also applications for insurance of mortgages, FHA has opened local offices in 59 cities.



Acme

DRIVE-IN THEATRE—Los Angeles motorists can drive right into this theatre and enjoy a movie without getting out of the car.

New Methods—But Not Too New

Government mortgage-guarantee plan will put premium on high-standard construction, but FHA is skeptical about revolutionary ideas in home-building.

COUPLED by FHA with stabilization of long-term investment in housing are a reduction in costs and an advance in standards of construction that do not sacrifice conventional design. Definitive standards will be prescribed soon. From FHA's standpoint, introduction of new methods and materials increase the mortgagee's risk until their effectiveness has been conclusively demonstrated. Their sponsors will have a chance to prove their suitability. Claims won't get them anywhere, but a special division has been set up to watch new technical developments.

FHA regards present standards of construction as deplorably low. It will not only welcome but insist upon improvements. Its weapon is the rating given to the loan to be insured. It is to the borrower's distinct advantage to invest in property with a high loan rat-

ing as the group in which his mortgage is placed will determine the extent to which the insurance premiums paid will apply to reducing the principal of the mortgage, thus shortening amortization.

Insuring mortgages amortized over a period so long that it approaches the useful life of the property necessarily calls, according to FHA, for adoption of a conservative policy regarding eligible types of construction. The mutual insurance plan will be confined at the start to types which have been in customary use, as Miles L. Colean, FHA's technical director, sees at present no new methods of sufficient promise and permanence to convince him that existing systems will be rapidly displaced. A house of modern design may furnish complete functional utility at 70% of the cost of its neighbor but, until espoused by public taste, the mortgage security of the new house is felt to be impaired.

Drive on Costs

FHA expects, however, to explore thoroughly all elements of cost in residential construction and believes that, without going to extremes, the cost can be brought down. Its progress will be slow at best as, in the attempt to raise standards and lower costs, it has to overcome the inertia created by an old mortgage debt of $20 billions on existing homes. Gradually the development of more economical materials and methods will take hold, but certainly not so fast as to accelerate obsolescence of existing homes. Consequently, refinancing of mortgages on old homes will not thrust any great burden upon the insurance fund. Such refinancing will tend, on the contrary, to anchor the value of existing homes at the same time that it extends to the owners of old property the same benefits in lower mortgage financing costs that are offered to builders of new homes.

Modernization Pays

American Radiator finds forethought profitable in tieup with government campaign.

WHEN the machinery for handling home modernization loans under the National Housing Act was completed, American Radiator & Standard Sanitary Corp. was already set to go after the business in a big way. Long before, Clarence M. Woolley, chairman of the board, had concluded that this was coming in the natural course of governmental "pump-priming," and had made preparations to cash in.

A prospect-building campaign for modernization had been inaugurated by the company early in 1934. The pick of the country's 34,000 heating contractors had been induced to cooperate. Many hundred contractors had been lined up for special promotion and they had, in turn, built up prospect lists averaging 75 names each. Within 3 days after the act became effective, American Radiator-Sanitary had reported the first loan made under it. By August, the company's sales of heating, plumbing and air conditioning equipment were running 40% above 1933. September duplicated the record. October sales totals, when compiled, promise to top last year by an even bigger margin.

Every company salesman has been drilled in the modernization story and on the American Radiator financing tieup with the government drive. Every one of the 24 branch offices flies a banner announcing free information on the plan. Every heating contractor has been told how to sell it.

During the first 43 days of the campaign (Sundays counted in) 4 of the company salesmen in a typical territory brought in contracts for 192 heating jobs, an average of 48 per man. Returns from branch house territories showed that a group of 3 could boast that 200 heating contractors had averaged more than 1 heating contract each, with individual records as high as 15. Of 200 contracts secured on a time-payment basis, nearly 33% were actually paid up when, or even before, the jobs involved were completed. And, though the "season" for heating contracts theoretically ends in September, contractors were reporting at the end of October that they had as many hot prospects as orders already taken in.

Study of modernization contracts insured by the government under the act shows that, instead of heating getting a normal 5.5% of the home-repair dollar and plumbing 9.5%, heating has been collecting 17%, plumbing 12% in this campaign. Contractors explain that the financing plan has resulted in a strong swing from the old-fashioned stove to the central heating plant.

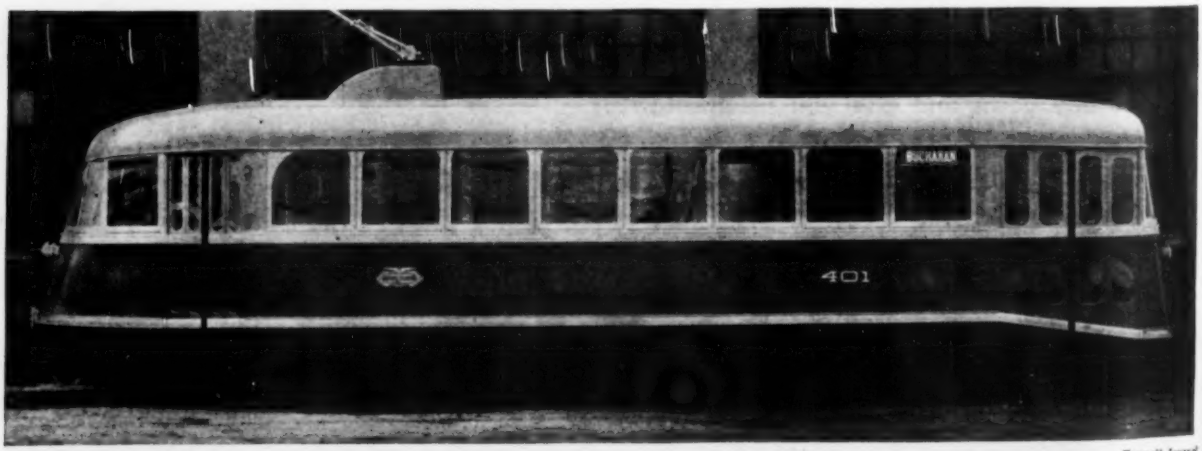
American Radiator has found that home-owners respond quickly when they find they deal with only one person, sign only one contract, make payments at only one point, and need no endorsers, bankers or lawyers to complete a transaction under financing plans such as this company has drawn up and the government has approved for guarantee. It believes that the drive has only scratched the surface so far.

Tire Boost

Manufacturers are helped to a decision that tire increase must come from public, not dealers.

IT was a distributor, not a manufacturer, who cut the Gordian knot for the tire industry.

Manufacturers talked of a plan that



Transit Journal

DETROIT STREET CAR—Built for a life of just 10 years, this new light-weight one-man sample trolley is a development of the motor capital's Department of Street Railways. Designed by H. S. Williams, it has aerodynamic lines, high acceleration and braking rates, all-welded construction using seamless steel tubes and steel sheets. Lower and shorter than standard models, it weighs just 24,000 lb., seats 39, is powered by 4 Westinghouse motors. Cost is said to be roughly $11,000.

Acme

HUMAN ELEVATORS—When 6,000 elevator men and building maintenance workers in New York City's skyscraper garment manufacturing district went on a strike, errand boys had to shoulder their parcels and resort to stairways.

would narrow the dealer's margins, cut the spread that tempted price-cutters, increase their own returns, leave consumer prices practically undisturbed.

Then, the Standard Oil Co. of Ohio announced price increases on Atlas passenger and truck tires averaging 15%. With trade-in allowances raised to 5%, this meant a real boost of about 10%.

To an insider that meant two things: (1) One of the largest independent tire retailers had grown tired of selling at the small margins provided under the NRA code emergency floor price plan; (2) manufacturers had better forget about the idea of taking the price rise they need (to meet higher material and labor costs) out of the dealer's margin, should, instead, step out courageously to boost consumer prices.

List Prices Advance

This they have done. Effective Nov. 1, the list prices of all important tire manufacturers were advanced 5% to 25%. Some manufacturers have both raised lists and reduced dealer discounts.

Those who have followed the struggle of the tire makers contend that the decision to make the advance was hastened by news that the new mail order catalogues may be expected to show somewhat similar increases.

While some dealers claim that increased lists will simply keep the public from buying, others are confident that sales will go on when the public finds that the higher prices are here for good. The manufacturers say emphatically that they are here for good.

Night Shopping

Big New York stores find it pays to stay open one night a week.

METROPOLITAN department stores are expanding their experiments in extra-hour days (*BW—Jan28'31; Apr13'32*). Starting with special sales, the late closings are becoming a permanent part of merchandising.

R. H. Macy & Co., militant New York store, began by balancing short summer weeks with closing on Thursdays delayed until 6:30. Recently, Macy's decided it might be worth while to stay open until 9. Heavy ballyhoo brought out a goodly crowd of shoppers the first Thursday night; the second and third Thursdays brought increased sales totals with far less advertising. Whereupon, Gimbel and Saks made 9 o'clock Thursday unanimous for the Herald Square department store trio.

Another New York department store, Wanamaker's, has long practiced staying open for special furniture sales, celebrates its 111th birthday with the announcement that it will stay open every Wednesday, in every department, until 9 p.m.

Other stores are likely to follow the practice. Many people cannot shop during business hours; many family purchases are more conveniently made in the evening. Big stores regain the after-hours money which has been going to neighborhood shops.

Platter War

American Decca starts something in phonograph records by raiding for talent, putting out 35c. disc.

TUMULT ruffles the surface of the phonograph record business, long suffering from an overplus of placidity. Broadway calls it a "platter war." The attacker is Decca Records, Inc., New York. It has raided the old-time companies for musical talent and is now retailing a 35¢ 10-inch record which it claims compares favorably with the 75¢ records of rivals.

Decca is an old and honored name in England, France, other countries of Europe. American Decca bought the use of the name from the English parent and is recording American stars for this market. Greatest excitement was caused by Decca's capture of Bing Crosby from Columbia (now merged with Brunswick).

Lines Up Headliners

The velvet mooings of Mr. Crosby are relished greatly by our youth, his recordings having made up an astonishing percentage of Columbia sales. Columbia retaliated by putting out Crosby records at 25¢. Decca says the retort was a dud because the 25-centers were re-issues of numbers that have been played to a frazzle. Among other headliners now exclusively in the Decca fold are Guy Lombardo, Isham Jones, Glen Gray, Ethel Waters, Mills Bros., Jesse Crawford, George Gershwin.

Columbia-Brunswick and Victor have indicated that they will keep their 75¢ price on big-name discs. All companies expect to profit from Victor's new Duo, Jr., a phonograph which runs on a.c. wiring and plugs into radio sets, delivering its vibrations through the loudspeakers. The price is $16.50.

Retailers welcome the row over records as a help to reviving interest in a once popular field. Biggest year was 1928 when 150 million records were sold. (All but 10 million of these were $1 and $1.50 platters.) By 1932 sales were only 10% of the '28 total. Decca executives deny that the radio was entirely to blame. They say folks still like to hear their pet crooners and favorite orchestras without having to absorb sales ballyhoo or bump into sequences of talking comedians. So Decca is going to try out some aggressive merchandising.

Cut on Royalties

First it went for the big names and put them out at a popular price. Music publishers accepted royalties of 2½¢ per record (2 sides). On 75¢ records they got 4¢. Artists also agreed to royalty reductions. It is contended that greater sales volume will return higher total earnings than the former percentages. For distribution, the country has been cut into 8 districts.

The World's finest Rye—Bottled in Bond under U. S. Gov't. Supervision

OLD SCHENLEY RYE

BOTTLED IN BOND

More than four years ago, under United States Government supervision, Schenley planned to make, without regard to expense, trouble or time, a quality whiskey so superb that it would stand without a rival.

More than four years ago this distinguished product was distilled and stored away in government-supervised warehouses to be aged by the gentle hand of time. Only Wisconsin and Michigan Rosen Rye—the most compact and flavorful rye kernels that Mother Earth produces—were used for this luxurious brand.

Old Schenley Pure Rye was distilled by distillers with 30 years of pre-Prohibition experience.

Every drop was left in charred oak barrels for more than four years before a single barrel was bottled. Buy it as a de luxe whiskey for all occasions . . . or to make *any* occasion a special occasion!

Made by the distillers of Golden Wedding, Mayflower, Cream of Kentucky.

Schenley PRODUCTS CO., INC., 20 W. 40th ST., N. Y.

FULFILLS ALL REQUIREMENTS of the U. S. PHARMACOPOEIA (U. S. P.)—U. S. DISPENSATORY—PHARMACO-THERAPEUTICS

Detroit Spends to Save

Automobile makers might like to avoid capital outlay, but the "competition in economy" has forced expenditures for equipment which will cut costs.

Of all the factors in the quiet but important rehabilitation of capital goods, the automobile industry is the most important. The greatest producer of durable goods, this industry is also the greatest consumer of capital goods.

Capital goods in the automobile industry mean great presses, as big as a locomotive on end (and as powerful) for the squeezing of sheet steel into body panels and fenders; machine tools to carve iron into motor blocks; $100,000 welding rigs which join in metallic matrimony at the throw of a switch. Included are conveyor systems, special automatic machines, furnaces, air-conditioners and all the usual equipment for heat, power, and light which accompanies any expansion.

Makes Others Spend

The automobile industry is also a great instigator of expenditures in other industries. Witness the changes in the steel industry (*BW—Nov3'34*) made necessary by the demands of the automobile makers. The same situation holds, less noticeably, in glass, textiles, rubber, many other industries and materials.

In their own plants, automobile makers have always been ready to spend a dollar to save dimes on a production setup; motor plants have never lagged in manufacturing improvements. With no overwhelming need for wholesale modernization, the industry would like to roll along for a while without any great capital outlay.

The cars themselves are good, already have everything a reasonable purchaser should want in the way of personal transportation. Just two things stand in the way of a truce on capital expenditures: efficiency and competition.

New Models Again

Several manufacturers thought they had done enough to make the prospects dissatisfied with their present cars, planned to bring out new models with noticeable but unimportant changes. But competition, and the increasing necessity of trimming the last penny off every possible operation, are forcing last minute shifts. So the new models now being translated from paper to steel will have the traditionally radical differences. And the equipment makers (capital goods in the statistics) will get more business than they expected.

Chevrolet, early this year, spent $3 millions for new equipment—half for machine tools, the rest for presses, furnaces, special equipment. Included were over 300 tools for the Detroit gear and axle plant, and some new machinery for the transmission plant at Toledo. Much small parts work was transferred to Bay City, necessitating new equipment there.

Fisher Expands

With Fisher Body, Chevrolet is building a new plant at Baltimore which will run into the millions. Fisher Body, itself, has spent $3 millions for expansion and improvement of operations. Half of that went into huge new presses for the Pontiac, Detroit, and Cleveland plants. Capacity at Cleveland has been enlarged by the addition of a new department.

During this year, Buick bought a million dollars' worth of new tools for its 40 series, introduced in May. Another million went for other equipment, making this one of the largest expenditures by one company.

Pontiac is spending about $200,000 for tools to machine the cylinder blocks of the new six. Other General Motors units are spending money for conveyor lines, lift trucks, and the like. Buick, for example, spent $60,000 late in the summer to increase production of a certain part.

Late in 1933, Chrysler spent several hundred thousand dollars for a department to make knee action units. Machine tools, heat-treating furnaces, handling equipment were necessary. This year, Chrysler bought $300,000 worth of welding machines, special machines for making the tubular seat frames in the Airflows, drying ovens, plating equipment, and conveyors.

The Dodge division of Chrysler bought tools to increase production in certain parts departments (many parts for all Chrysler cars are made in the Dodge plant). Another Dodge purchase was a battery of Yale & Towne industrial trucks for transporting materials and parts within the plant.

Plymouth sales increases were so good that the factory put in additional equipment; about $100,000, it is said, was expended to increase cylinder block production.

Packard Expenditures

Packard is making an outlay of approximately $5 millions. Some $300,000 is for a brand new cylinder block line for the new car due in the near future. Another $500,000 will go for plant rearrangement, and about $1 million for new machinery and equipment.

Wide World

STEEL FOR "THE MILLION"—Ford, embarking on a tremendous spending program, says the depression is over—for him; he expects to build a million cars next year. These new extensions to the Ford steel mills will cost over $16 millions, supply steel for 3,000 cars a day when they go into operation next year.

Packard figures its tooling expense will take $3½ millions.

Nobody knows what Ford has spent for new equipment this year. The Dearborn policy is to buy consistently and inconspicuously, without visible seasonal splurging. Machinery people think that Ford has been a steady buyer of new equipment all year.

Certainly, when the new steel mills are taken into account, Ford becomes the biggest capital goods spender in the country. Over $14 millions will be spent in expansion of steel capacity and in expansion of power plant to meet the new load. Another $2½ millions will go directly into machine tools and fixtures.

Ford's promise of "a million cars or better" in the coming year means a total expenditure of more than $415,000,000. Many of these millions will go into capital goods, and into materials purchases which will themselves necessitate capital outlays.

The competition in economy makes ways and meaning of chipping a penny here and a nickel there welcome in Detroit. Never backward about the adoption of new materials and methods, the automobile manufacturers are better prospects than ever for those who can show them how to cut costs.

With profits per car less in 1934 than in 1933, with more money being paid for labor, with price competition sure to be brutal, special stress will be put on lowering production costs in the coming year. Makers of machine tools (which don't go on strike), of conveyor equipment and heat-treating furnaces, of giant presses and better-cheaper door handles, have greater opportunities. A penny a car on a million cars is $10,000.

Knoxville Is Angry

East Tennessee doubts if 13 non-resident ice and coal dealers acted alone to kill the TVA deal, and presses plan to build own plant.

AFTER weeks of fight, the TVA deal to buy the electrical distribution property of the Tennessee Public Service Co. in Knoxville and vicinity was knocked out in a state court decision giving 13 non-resident ice and coal dealers 90 days in which to prepare evidence in their case attacking the scope and constitutionality of the TVA act. Since the TVA agreement with the TPS bondholders and stockholders expired Oct. 31, an entirely new deal must be negotiated. Meanwhile a federal court rendered a double-barrelled decision, one shot of which refused a restraining order on the TVA-TPS deal to a minority stockholder. This seems to remove any barriers in that direction to a future deal.

The delay has disappointed and

aroused the people of Knoxville and environs. East Tennessee appears to be ready to start a fight. Before terms for the TVA-TPS deal were approved, detail plans were drawn and bids opened for the first section of a municipally-owned competing system. PWA allotted a loan and a grant for the financing which still stands. Knoxville is again pushing these plans, the second barrel of the federal court decision appearing to make legal the use of the PWA funds for the purpose.

Mr. Lilienthal has meanwhile announced that TVA is not now in negotiation with the TPS for its property. But it will not be hard to find a way to resume conversations. As Mr. Lilienthal says, "The failure of the transaction was not due to any difference of price or fairness to the investor."

But indefinite court delays seem in sight. Knoxville thinks it can build its own system pronto. There is a deeply-grounded local conviction that the utilities are supporting the effective blocking done by the high-priced legal staff of the non-resident coal and ice dealers. Behind the referee's back local people think there has been plenty of clipping. Local officials thinly veil a determination to get into the distribution of kilowatts at TVA low rates just as fast as lines to reach consumers can be built.

Chicago Wants More

Century + 1 Year of Progress so successful plans are afoot for a permanent fair.

A CENTURY OF PROGRESS expired Oct. 31, but the corpse was still warm when Chicago business men began to lay plans for something to take its place —perhaps a permanent exposition that might attract millions of visitors to the city annually. The shows of Leipzig, Germany, and Toronto, Ont., are patterns.

There are numerous reasons why the idea has many followers. A preliminary financial statement at the close of business showed a balance of $344,030 after allowances of more than $1 million for all liabilities and park restoration expenses and $587,500 for the remaining outstanding bonds, all without any government subsidy. Every other world's fair of importance had cost its sponsors millions of dollars.

Paid admissions were 16½ millions this year, 22½ millions in 1933. Per capita expenditures were $1.496 this year and $1.639 in 1933, the total for the 2 years being more than $61 millions.

The payroll of A Century of Progress itself, from the time work was started Jan. 5, 1928, through October, 1934, approximated $10¾ millions. A half million men and women gained employment directly or indirectly, ranging from several months to 2 years. An average of 40,000 persons were employed within the grounds.

Expenditures of visitors for hotels, transportation, merchandise, and other items are estimated at $700 millions.

Hotels and rooming-house keepers were able to pay off all or most of their back taxes. Unmet payrolls and bills of 6 major local governments were reduced nearly $32½ millions during the 2 years.

It is not surprising, therefore, that the Chicago Real Estate Board has petitioned the mayor and President Rufus C. Dawes to lay plans for a permanent exposition, using the main exhibition buildings and the island, as well as a small strip along the shore of Lake Michigan. Hotel men and merchandisers are of the same mind.

Several millions of dollars will be required, and the approval of the park board must be obtained. The financing should not be a big problem, in view of the record. As to approval of the park board, it is significant that demolition of the main buildings has been postponed until after the end of the year. Under the original plans, this was to have occurred immediately.

Durable Goods

Heads of heavier industries want to keep codes, favor open prices.

CODE and trade association chiefs of 23 industries manufacturing capital goods, "durable consumer" goods, and metal products of various kinds, got a fine informal hearing with NRA officials in Washington last week, learned a lot they did not know about the way the new NRA administration is thinking, but did not get a great deal of satisfaction over their own troubles. They were urged to compress their codes into fewer groups, to line up more sharply (and always upward) on labor provisions as the ideal water-line of NRA, and to link in closer with their distributive agencies.

The final consensus of the meeting was that NRA was pretty tough, but that the code idea was fine, and ought to be continued. Open-price provisions were approved by a resolution passed after W. Averell Harriman, the new

Underwood & Underwood

D. M. NELSON—Vice-president of Sears, Roebuck, he has been appointed special assistant to Clay Williams, in the new NRA setup.

administrative officer of NRA (and one of the earlier officials who has come back to help with the reorganization job) had set forth the NRA position. He told the delegates that the NRA board had not yet acted on either sales below cost or removal of limitations on production, but had taken a position for open pricing and against anything in the nature of fixed prices. An attempt to record the conference as favoring "reasonable" control of resale prices in the public interest died.

Another important phase of the pricing and distribution question came up, in possible sales regulation through industry classification of distributors, wholesalers, etc., and was also put on the shelf on the assurance of Division Administrator Barton W. Murray that the National Industrial Recovery Board was working on just that subject of customer classification and might have a future ruling thereon.

New Trade Practice Committee

Out of the conference came a new industry committee, the suggestion of Irving S. Paull, former chief of the domestic commerce division of the Department of Commerce, and Washington representative of various trade associations and code authorities. The new group is to devote itself to the time-consuming job of working out a more uniform set of trade practice provisions for codes as the basis of code mergers. It is headed by Edwin M. Smith of Westfield, Mass., chairman of the cast iron boiler and radiator code authority.

Cotton Platform

Textile industry's main divisions outline labor relations policy.

A concise industrial relations platform of the cotton textile industry has answered the misunderstandings, charges, and ambiguities which have followed the publication of the Winant report. Signed by the two major groups, the National Association of Cotton Manufacturers and the American Cotton Manufacturers Association, the platform makes 10 brief points:

The Right to Work

A "man's free right to work" should not be interfered with by membership or non-membership in a labor organization. Employees have "a voluntary choice under the NIRA" to join or stay out of any labor organization. The industrial codes are now law, and should be changed, not by administrative edict but by orderly procedure, "and no other method should be recognized." The right to continue at one's occupation is "as fundamental as the right to strike" and should not be jeopardized through "intimidation, coercion by force, or other illegal means, either while at work or at home," and employees are "guaranteed freedom from coercion on the part of employers; they should be given the same guaranty from coercion from other sources." Minority groups should have the right to negotiate with employers and "any provision that a majority group must be the sole spokesman for all would be unsound."

Invention's Place

If the cotton textile industry "is to survive," it must avail itself of the developments of science and invention, the application and operation of which require "various programs of operation in individual mills." Strikes and lockouts "should be illegal" when they are designed to coerce the government, directly or indirectly, by inflicting hardship on the community. Legal responsibility should be required of representatives of organized labor, as it is required of industry, with proper financial statements. The government should clearly define its policy on granting relief "to people who voluntarily abandon their employment," and relief should not be used to "start or maintain strikes," although there should be no question about relief to those involuntarily thrown out of work "by the strike of a few."

At the same time the duty of management to conduct its business should not be obstructed "by forcing a surrender of its proper function to the government or to employee organizations," as otherwise "industry is deprived of that confidence which is absolutely necessary before a return to a more normal prosperity is possible."

They're Buying Farms Again

More sales of farms at 19% better prices and bigger down payments reported by Federal Land Banks.

FARM lands are in better demand. That billion dollar increase in cash farm income has attracted to the farm areas, not merely a flood of new mail order catalogues, automobile and implement circulars and patent medicine almanacs, but farm buyers as well. More sales of farms are being reported, at better prices, and for larger down payments.

Comparisons are with a year ago. Prior to 1933 and back to 1920 sales were mostly through sheriff's or tax certificates. In the decade 1920-30, land values dropped one-third and then in the 3 years 1930 to 1933, dropped another one-third.

Upturn Is Sharper

Last year's jump in farm product prices and some flight of capital into tangibles turned the curve upward. The trend has been extended sharply during 1934.

Answers to the questions, who is buying? why and how? vary from section to section. Better prices on crops and livestock is the principal motive in most regions. This is indicated by the fact that transfers have tended to ebb and flow in accordance with shifting outlook for crops and their prices. The drought-stricken areas reported few sales until August and September when it became apparent that in productive areas higher prices would offset crop reductions. Upturn came to the tobacco, cotton, truck section of the South Atlantic states much earlier, in July, because so soon it was clear that both Ceres and Midas would smile upon crops and markets in that area.

California has experienced almost a boom in small farms selling to people who are anxiously looking for self-sustaining homes.

A similar tendency is noted in some New England states. There crop adversity, poor potato prices retarded actual farm sales. Offsetting this, however, was a demand from people in cities and towns wanting to get back into the country. Considerable acreage has also been sold for summer homes in New England.

Small Farms Preferred

Small farms have the call over larger tracts. Buyers, with exceptions noted, are farmers or farmers' sons, in the main—but there is a salting of "investment" buying in almost every section. Buyers are particular and discriminate sharply on character and quality of land, and are equally careful about its location with reference to towns, hard roads, schools.

Inflation hedging and back-to-the-farm movements have brought agents handling farm lands more trouble than sales. Their mail has been flooded with inquiries from prospects with little or no capacity to pay for or use a farm.

"Hedging" purchases have been talked more than made. However, land offices specializing on farms near metropolitan centers note that well situated farms, "close in," somehow disappeared from the market early. Their suggestion is that people with money, and respectful of intrinsic values, may have seen in these areas both a safe placement for idle funds and a promising long-term investment.

In this type of transaction outright purchases were frequent, but cash sales were not limited to them exclusively. Instances of $10,000 to $20,000 cash sales are not unheard of in more remote regions. Old style currency came out of the churn to pay for some of the land that has changed hands in the last year.

Farm Values Up

An average upturn of 4% in farm real estate value in the year to March 31, 1934, is estimated by the Bureau of Agricultural Economics. Better incomes, removal of forced liquidation, lower taxes, are credited with the betterment.

For the first 8 months of 1934, farm lands sold by the Federal Land Banks brought 19% higher prices per acre than 1933 sales.

Experience of the land banks, which blanket the country, is illuminating. Here are condensed comments from the several banks:

St. Louis (Illinois, Missouri, Arkansas)—Sales for September, 1934, $212,000, largest month in history of this bank. Receiving 1,200 inquiries monthly, doubled since June. Prices on good farm land stronger than a year ago. Poorer grades show little increase.

September Made a Record

St. Paul (Michigan, Minnesota, North Dakota, Wisconsin) — Distinct upturn in interest in land, something of an upturn in prices. September was best farm sales month in history of the bank.

Omaha (Iowa, Nebraska, South Dakota, Wyoming)—Upturn in land sales in last 60 days. Since Sept. 1, sales have run ahead of 1933. Consideration obtained better, prices ranging 10% to 15% above last two years. "Investing public" showing more interest in good farm land than at any time in last several years.

Wichita (Colorado, Kansas, New Mexico, Oklahoma)—September sales doubled those of a year ago but year's sales behind 1933. Down payments are averaging 16% against the 11% farmers were putting up in 1933.

Spokane (Idaho, Montana, Oregon, Washington)—Demand has increased without any considerable upturn in price. Areas of superior quality are being recognized and values enhanced. There is much inquiry from people not in position to buy.

Berkeley (California, Arizona, Nevada, Utah)—Number of sales, price per acre, cash down payments, increased sharply. Small farms in demand. A recent classified advertisement on one farm, inserted twice in a local paper, brought 163 inquiries. Another inserted once in 3 local papers brought 223 responses.

Down Payments Increased

Houston (Texas)—Sales fell off in September but were greater for first 9 months than in 1933. Down payments have averaged 21% against 18% last year.

New Orleans (Alabama, Louisiana, Mississippi)—Sold $3 millions worth of land this year. In September sold 86 farms for $209,000 against 31 farms sold for $52,000 in September, 1933. This spurt put 9 months' sales ahead of last year.

Louisville (Indiana, Kentucky, Ohio, Tennessee)—September sales increased, 37 farms brought $136,000, against 11 farms at $55,000 in same month last year. Only $807,187 sales for 9 months or well behind the $1,000,000 sold in same months last year.

Columbia (South Carolina, North Carolina, Florida, Georgia)—Quite a demand for small farms in 6 months to October. Sales increased, prices received were more satisfactory, cash payments substantially larger. Farmers are faring better and are rapidly becoming more optimistic.

One Slow Territory

Baltimore (Maryland, Delaware, District of Columbia, Pennsylvania, Puerto Rico, Virginia, West Virginia) —Slight improvement in sales recently but volume for year well below last. Sales are made on cash payment of only 7%.

Springfield (Massachusetts, Maine, New Hampshire, Vermont, Rhode Island, Connecticut, New York, New Jersey)—Interest picked up in August and September, has fallen off slightly since. The bank acquired less land and sold more in the 6 months to Oct. 1 than in the same period last year. It got larger down payments. Summer homes, "back-to-farm" buyers, and tenant farmers furnish a considerable demand. No evidence of expansion of activities by real farm owners in enlarging their holdings.

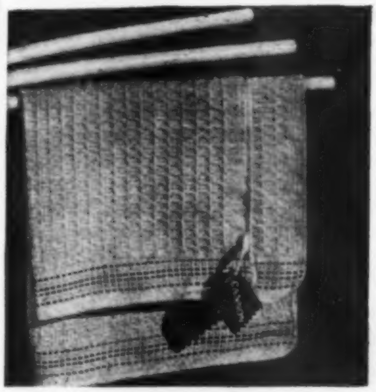
NewProducts

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE new Gillette razor will be called the Aristocrat, will attempt to recapture the higher-price market. It is in one piece with the cap divided in the center. The flaps open when the handle is twisted; it's not necessary to take the thing apart to put in the blade. Gold-plated, well finished, this model will retail at $4, or $3.79 in the cut-rates.

ACME STEEL has a new stitching wire, specially made for manufacturers of lard, soap, butter, similar products. Rust-resisting, it avoids those blemishes on shipping containers due to the rust and corrosion of the wire.

CHRYSLER, which recently went into air conditioning, is now entering the big installation field, especially theaters. Airtemp, Inc., the Chrysler air conditioning company, has appointed Control Corp. to handle this business.



THE little dingbat dangling from this Cannon dishcloth is called the Cannon Cleanall. Made of molded plastic, it has a saw-tooth edge for loosening food particles; a square edge, and a rounded edge for getting into rounded corners. Particularly useful in cleaning aluminum and enamel pots and pans without scratching or discoloration.

A GIRL can band only about 5,000 cigars a day, put into Cellophane tubes only 3,000. Consolidated Lithographing's Colton-Voice banding and wrapping machine will handle 40,000 cigars a day with a single operator.

OTIS Elevator announces a new rubber-tired hanger for elevator doors which removes the last clash and clang from present quiet cars. Admittedly of shorter service life, the new quiet sheave holds up for hundreds of thousands of openings and closings, is easily and cheaply replaced.

King Cotton Under Fire

Unfavorable price situation helps foreign planters to threaten America's domination of world cotton markets.

THE cotton situation has a great many people worried. Those directly concerned are anxious to find the season already 3 months old and only about three-fifths as much cotton as expected moving into consumption. Others, interested in the fortunes of cotton because it is the biggest cash farm crop, the biggest export commodity, and a commodity that supports 12 million people, are beginning to wonder what the present involved situation connotes for the future of agriculture and industry.

The Price Drop

Since the season started in August, prices of the staple have dropped 2¢ per lb., and now rest supinely on the 12¢ peg provided in government loans to planters. Lower prices have done anything but stimulate sales.

Now there is fear that the government may, in time, be holding half or more of the new crop under its loans. Any such quantity, added to the some 2.5 millions bales still on hand in pool and under 10¢ loans of the previous season, piles up an available supply with the same depressing effects upon the market as the surpluses that existed a couple of years ago.

Such a piling up of supplies exerts its worst influence on futures. Future contracts should figure 12¢ plus at least 50 points for freight and 8 points for each month for carrying charges, if the 12¢ spot were expected to hold. But with the crop not moving, a larger crop in prospect next year, doubt about the domestic textile industry and little hopes of large exports, deliveries in May and October can be bought near 12¢. They should be around 13¢ and 12½¢ respectively.

Futures Are Bearish

Futures at a discount are a further bearish influence. In the normal course of events, cotton merchants here and abroad buy the actual staple as it is offered, simultaneously selling a future contract at a price differential that about carries the cotton. The current spot-futures ratios discourage such accumulation of stocks and this works to the distinct disadvantage of the American crop in foreign markets. Short supplies of American cotton abroad contrast with cheap and plentiful supplies of foreign growth. The convenience of immediate supplies encourages substitution to the extent that grade and type differences allow.

Substitution of foreign cotton for American inevitably become a threat when prices get out of line. Now they are rather strikingly out of line.

Indian cotton is selling in Liverpool about 200 penny points, approximately 4¢ below American. Normally it sells lower on quality, but its present basis of approximately 68% of the American price is the lowest since 1930. Allowing for a fluctuating parity between the two types, American cotton might be said to sell 1¼¢ above the world market.

What has excited most concern in the substitution of foreign for American cotton in world markets has been the extraordinary increase in production abroad simultaneously with the crop curtailment here. For the first time since the Civil War, other countries produced more cotton than the United States last year. Combined foreign growths are expected to total more than 13 million bales against little more than 9 million raised under restrictions and adverse weather in this country.

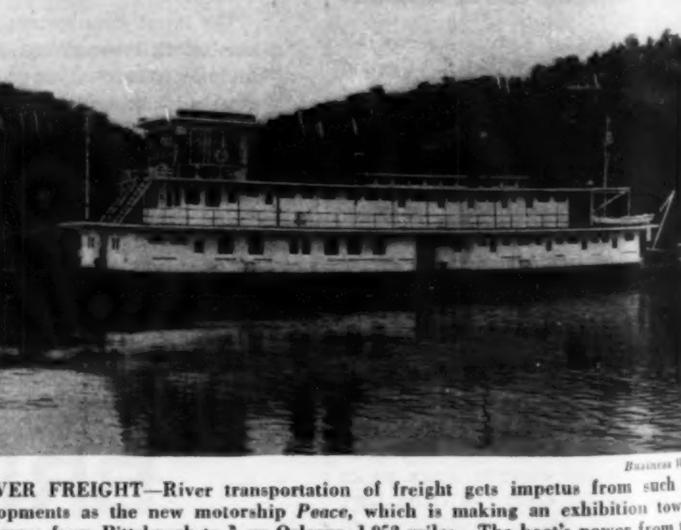
While world consumption of cotton in 1933 was 3% above the previous year and highest since 1929-30, consumption of American cotton was cut by 4%. Curtailment of domestic textile manufacturers was primarily responsible for the drop, their purchases falling 7% below the previous year. Foreign spinners used only 2% less than before.

The cotton trade expects that its commodity will feature heavily in reciprocal tariff agreements. It does not feel that 3 months makes a season and recalls instances when Europe stayed out of our market for the first 6 months only to return strong in the closing half. It cannot develop great enthusiasm about export prospects for the immediate future, however, feeling that greater use of cotton depends more upon improvement of economic conditions here and abroad.

There is no panicky fear that American cotton will suddenly lose its traditional dominance of world markets. Large foreign production this year resulted in part from bountiful crops in old producing areas such as Egypt, India, China. New production came—and more is anticipated—from Brazil, where adverse conditions in coffee have converted increasingly greater areas to cotton production. Northern Brazil produced 750,000 bales this season, 60% more than last year. Southern Brazil's crop is just going into the ground but involved greately expanded acreage.

Cotton vs. Coffee

New production does not come overnight, however. Land must be cleared, equipment provided. Labor presents a serious problem in South America. Brazil has gone into cotton ambitiously, nevertheless, its plans being revealed in heavy purchases of machinery within recent months. Having taken the plunge, it will probably continue almost regardless of cotton price trends, except as they stand in relation to coffee.



Business Week

RIVER FREIGHT—River transportation of freight gets impetus from such developments as the new motorship *Peace*, which is making an exhibition tow of 9 barges from Pittsburgh to New Orleans, 1,952 miles. The boat's power from two 6-cylinder diesels is applied directly to twin propellers operating in partial tunnels under the stern. Maneuverability is achieved through multiple rudder steering gear, and an all-steel, ship-shaped hull. Great fleets of barges are now replacing packet boats as handlers of heavy river freight.

Freight Car Pool

Eastman suggestion for handling "empties" is likely to be followed by compulsory scheme.

RAILROADS that insist the virtues of freight car pooling are largely theoretical now face the choice of adopting the voluntary pooling system proposed by Joseph Eastman or contesting a plan made compulsory by the Coordinator's order or by Congress.

A study made under Eastman's direction estimates at $75 millions the operating savings possible in eliminating an "excess" empty car mileage of 2 billion miles a year. A reduction of $25 millions in capital carrying charges also is claimed for coordinating operation and purchase of equipment.

Mr. Eastman's Plan

The Coordinator proposes immediate pooling of 1 million box cars, exclusive of ventilated and automobile box, to save $50 millions a year in operating expense, plus $15 millions to be realized eventually from a reduction in investment of $200 millions. This assumes that the present box car fleet can be cut by 10%, if pooled, and fill all traffic needs. Centralized purchasing of cars and the standardization of equipment also are expected to lower the unit cost of new equipment.

The pool organization, as outlined, would be controlled by the new Association of American Railroads. Car ownership would remain in the individual roads for the present but the comparative rush to shift the burden of car hire which now shunts empties back and forth across country to their home lines would be replaced by orderly methods of distribution. Owners would be compensated for the fixed cost of ownership based on appraised value of equipment. Car users would pay a daily rental to meet that cost. Car repairs and operating expense of the pool would be pro-rated among the roads on the basis of car mileage. General repairs will continue to be made in owners' shops at present. Ultimate objective is to utilize the most efficient and economical shops for repair of pool cars.

Look at the Record

To the railroads' contention that strict compliance with present car service rules will eliminate unnecessary empty cross-haul, Eastman's report answers that 14 years' effort hasn't brought general compliance. A 27-month check revealed that one-third of all cars loaded at industries were loaded in violation of the rules. He adds that the pool plan rests on practical experience to the extent that consolidated systems, such as the Southern Pacific, pool cars that were formerly owned by separate companies. The difference is that cars, instead of companies, are pooled.

Business Speaks for Itself

V. Compliance is reported at 100% in some industries, unsatisfactory only in a few.

AFTER 6 months to a year of operation under NRA codes, compliance with code provisions averaged 90.35% in the 64 industries with 86,300 members that contributed comparable data on this subject to the *Business Week* poll through their code authority or trade association, while the returns from nearly 100 other industries were too incomplete for acceptance. When tabulated according to percentage of compliance actually reported by the various groups, the score is as follows:

Ten industries with 1,709 members report 100% compliance; 34 industries with 75,745 units report compliance as between 90% and 99%; 14 with 5,123 members put the figure at 80%-87%; 6 with 3,723 members, less than 80%.

These remarkable percentages of compliance reported grow in significance when the type of industries is considered.

The Big Fellows Speak

For instance, included in the group reporting from 90% to 99% of compliance are 3 of the nation's largest manufacturing industries, with annual sales volume of billions; also 11 groups that produce durable goods or materials used in their assembly, 5 in the construction field, 8 making consumer goods, 3 retail and one wholesale group.

The 10 groups claiming the highest possible rate of compliance have a total membership of only 1,709 concerns, and 6 of them have fewer than 15 members each, proving that it's easier to get cooperation when the group is small. However, large numbers apparently are not always a barrier, because one industry reporting 100% compliance has 1,000 members. Several of the industries now claiming a perfect score had closely-tied cooperative activities far back in the pre-NRA era; the code system merely gave them a new and better blanket.

The industries reporting less than 90% and down to 50% compliance are extremely varied in character, size, and scope.

Tight Line-up, Poor Order

As an example, an industry that came into being only within the last decade has a small membership, operates under restrictions that are possible through unexpired patents, has in some territories groups that work smoothly within ironclad agreements, yet reports national code compliance at only 85%.

Among the 6 industries reporting less than 80% compliance are only 2 that do manufacturing, while the remaining 4 are functional industries that have a large number of individual and many exceptionally small units.

One important fact becomes apparent when these reports on compliance are analyzed: The percentage of compliance obtained rises rapidly and in approximately the same ratio as does the relative demand for investment, intelligence, and managerial ability upon those who attempt to compete in each respective industry.

A Matter of Size

Among the 18 industries that report compliance at 98% or better are only 4 in which a newcomer with fair ability and a few thousand dollars would have a reasonable chance for success. In the other 14, the capital requirements for equipment alone would involve large sums, while competitive conditions would tax the ability of men of highest calibre.

Among the 12 industries that report less than 84% compliance are 8 that can be entered readily with a few hundred dollars, little or no actual experience, and only limited business ability. In that type of industry code authorities obviously find it difficult to get compliance until the membership has been educated to a better understanding of the methods and objectives of cooperative effort.

That conclusion is confirmed by the reports on complaints, which indicate that misunderstanding of code provisions among small manufacturers causes at least as many complaints as do actual violations.

In 17 fields the majority of complaints have originated with the small members; in 12 the big fellows did most of the kicking.

The code authority of one industry states frankly that the code has been tough on the small plants, while another code authority reports ironically that the small concerns are doing no complaining and the large ones are "enduring the code stoically."

Compliance

Recovery Board likes the Federal Trade Commission's procedure, but not its past.

THE Federal Trade Commission type of enforcement is daily looming more important in NRA's planning about the compliance problem — which is just about the hardest nut in the impressive collection of hickory which Clay Williams and the new National Industrial Recovery Board inherited from General Johnson. The NRA compliance divi-

International News

PIERS FOR THE BIGGEST—New Yorkers watch their Mayor drive the first rivet in the steelwork of the 3 new 1,100-ft. piers on the Hudson bank of Manhattan at 48th St. The piers will accommodate such giants of the seas as the French line's new 1,029-ft. *Normandie* and Cunard's *Queen Mary*.

sion has had a dozen incarnations and almost as many bosses; it has never swung into the rhythm of a simple workmanlike job—as the FTC learned to do early in its 20 years of existence.

The Department of Justice hasn't been very helpful for the simple reason that it hasn't been convinced that NRA's law is very good law. It has prosecuted a few cases; Weirton is held up as an example. But long before that labor argument reached even a lower court decision, rulings on Article 7-a had been changed. The Weirton case is now only a problem for Weirton, not the fundamental test of 7-a it started out to be.

Penalties a Problem

Basic difficulty with NRA code compliance is that the law provides no simple penalties for violation; if you chisel and get convicted in a court, you are supposed to go to jail and pay $500 per day of offence. General Johnson tried to put in an alternative with his Blue Eagle that could be withdrawn for violation of code provisions. In the showdown this has looked like a milder alternative. However, the General did talk of it as "a sentence of economic death" and the idea of an officially-induced boycott hasn't been sitting so well in Washington since he retired.

A new first-stage enforcement plan is popular. This is the "liquidated damages" scheme, now used by two code authorities, whereby members of an industry agree in advance to fine themselves in case of violations, the money going to suffering competitors or to a code authority kitty. NRA's brief history shows that trade practice enforcement by industries themselves, or their code authorities, has had a widely varying success. For instance, garment industries have done very well; their code requires that products carry NRA labels and, to get these, a member must behave. But, for another instance, oil, for well-advertised reasons, has found it very rough going.

Weighing the FTC

The latest turn toward the Federal Trade Commission kind of enforcement doesn't necessarily mean that the FTC will handle the job. Memories of that body's pre-NIRA trade practice conferences and study of its power to issue complaints and pass out cease-and-desist orders providing for orderly appeal through the courts make Washington draw comparisons highly unfavorable to the disorderly, sometimes futile efforts of NRA's successive compliance divisions. However, there is a complication. The Trade Commission hasn't been exactly popular in the past, business has frequently thought its personnel arbitrary, and there have been troubles with the courts.

Washington feels that the solution to the compliance problem will be found along FTC lines.

Acme

ALL-AMERICAN CANAL—Work begins on the excavation of 40 million cu.yd. in the first 30-mile section of this canal, which will carry 10,000 second feet of Colorado River irrigation water to the Imperial and Coachella Valleys in southeast California. The Bureau of Reclamation is doing the job for $38.5 millions maximum as a provision of the Boulder Dam Act.

Foreign Trade Upturn

Part-year figures make a sad showing against prosperous eras but are better than 1933.

ALL things are relative; our foreign trade figures look pretty awful or considerably better according to how far back you go for comparisons. At the Foreign Trade Convention in New York last week, Secretary of State Hull emphasized his denunciation of nationalistic restrictions by citing some ghastly recessions. Total world trade (import plus export) dropped from $68,000 millions in 1929 to $24,000 millions in 1933. Our loss was disproportionately large, falling from $10,000 millions to $2,500 millions.

The dolorous Mr. Hull does not refer to 1934, which shows a considerable improvement over 1933. For the first time in history the Department of Commerce has issued a half-year accounting of international payments. This violation of the statistical *mores* may be an answer to the prayer of business men that the government release its figures before they die of old age, or it may be the desire of an astute Administration to disclose encouraging facts as soon as possible. The heart bowed down will discover by the September figures that the general improvement continues.

Homing Dollars

Much of the capital that skipped abroad while inflation was a threat, skipped back home when the dollar was devalued to 59.06% of its former gold content on Jan. 31. These repatriate dollars brought with them foreign moneys which had grown fearful of their homelands. Of the short-term funds which rush wildly from country to country pending international stabilization of currencies, a quarter of a billion found temporary haven here.

A rise in the exchange of goods may partly explain why business for the period was better in some spots than it seemed. Merchandise sales abroad for the 6 months were $1,036 millions, with a "comparatively large" favorable balance over imports of $173 millions. Exports were 55% above the same period last year, and imports were 46% greater. The import figure indicates that there was something sounder back of the rise than a cheapened dollar. This is proven by quantity totals, which showed exports up 22%, imports up 11%. September proved that the slow revitalization of our foreign trade continues. For that month total exports reached $191,690,000, highest since September, 1930. This topped September last year by $31,571,000, and was $19,723,000 above last August.

September Imports Increase

Contrary to the seasonal slant, September imports also showed an increase, but there still remained a favorable balance of $60 millions. Agricultural products, accumulated against an inevitable price upturn, accounted for much of the export rise. Chief items were cotton, leaf tobacco, dried and evaporated fruit, apples, lard. Exports of wheat and meat (drought items) fell below August.

Most dramatic is the tide mark of the gold flow which set in after our January currency maneuvers. Even on a weight basis February's inflow of gold ($381 millions) exceeded all single-month records. For the half year net receipts of gold were over $900 millions and of paper currency $30 millions. These figures indicate the huge American balances which accumulated in Europe (mostly) during our banking crisis and give some idea of the pressure put on Europe's central banks when swift liquidation for dollar repatriation took place.

The survey gauges Europe's returning faith in the United States—and our returned distrust in Europe. During the first half of 1934 we sold foreigners $850 millions in stocks and bonds. Of this, $490 millions were American securities, $360 millions foreign securities that had been held here. The $360-million figure puts some measure on the hitherto unguessed extent to which Europe was capitalizing the cheapened dollar and low prices of foreign securities in our market to buy back their obligations at bargain quotations. (Ask the German government.)

Creditor Nation

America's declining position as a creditor nation is shown by the other side of the picture. We spent $625 millions for securities abroad. Almost 60% of this ($370 millions) was for American securities owned in other countries; only $255 millions was for foreign issues. Counting $85 millions which we received for sinking funds, bond redemptions, direct investments, arbitrage transactions, etc., our total net inflow of long-term funds was estimated at $310 millions.

American investors received from foreigners interest and dividend payments of $185 millions in the first half-year. However, we paid them only $25 millions of interest and dividends. There are sour issues on each side to increase the unrest on earth and ill-will among nations.

Tourist Expenditures

Figures of tourist expenditures must be taken with the realization that much travel and most home-comings occur after June. This is especially true of motorists in Canada. Americans spent $105 millions abroad during the first half of 1934; foreign tourists spent $25 millions here. Fewer travelers went abroad this year than last. Ship lines are cheered by the fact that better times here are bringing alien workers back to this country.

Maybe immigrants here are having a harder time and maybe their relatives abroad are making a better living. At any rate the $58 millions remitted by immigrants to the folks back home was $2 millions less than last year.

Exports Better

National Foreign Trade Council decides outlook is brighter but asks Washington for cooperation.

When the 900 delegates to the twenty-first National Foreign Trade Council meeting assembled in New York last week, they were almost cheerful. Washington has done little for them yet, and business is still pretty insignificant, but the outlook is brighter.

Trade Gains

Some concrete reasons for optimism were trade gains already accomplished. To 9 nations, sales in the first 7 months were more than 100% above totals in the same period last year. To another 21, sales were up more than 50%. Africa (where gold mines are booming) has become an active market again. Czechoslovakia is taking an increasing number of motors to supply the country's new manufacturing industries. Japan is buying cotton and scrap iron. Australia and New Zealand are taking manufactured goods.

Discussed at the meeting were new barter deals, plans to push agricultural exports, difficulties presented by the most-favored-nation clause in making special deals, particular debt settlements like the Anglo-German one on debts and commercial clearings, and plans for a great "Foreign Trade Week" next May which will be an annual affair.

Surplus Sales

Rumored at the sessions was the prospect of sales of agricultural surpluses through use of processing taxes for "expansion of markets." Spain has already taken a large order of tobacco on this basis. Germany may take raw cotton on similar terms. Feeling at the meeting was that "something's going to break soon" in Washington to help the exporter. It was noted that Sears, Roebuck & Co. has gone so far as to create its own "barter department" and is going after foreign business.

If the United States has a foreign trade czar, it is George N. Peek. Remembered when the meeting ended were his 4 recommendations: (1) We must recognize that foreign trade has become a definite and direct concern of the government and that, unless our foreign trade interests receive backing and assistance similar to that given by other governments to their traders, we will not be able to compete with them on equal terms; (2) to develop consistent and effective foreign trade policies, our 50 or more governmental agencies dealing with the question must be coordinated; (3) records of trade relations with individual countries must be kept up to date to steer our trade course intelligently; (4) we must develop a program of "selective" exports and imports.

Business Abroad

French political crisis beclouds business everywhere, brings new weakness to gold currencies. Dr. Schacht loses favor in Berlin; changes likely; pressure for "substitutes" continues. Canada pushes investigation of business practices. Profits up in Japan.

BUSINESS everywhere will react to the fall of the Doumergue government in France and the unsettlement will continue for some time. Able Frenchmen are clamoring for a "strong man" but none has yet appeared. Until he does, conditions in the country will not settle themselves. And with France—backbone of the gold bloc—in trouble, it is unwise to predict the future of the currencies concerned.

The political situation in Belgium is hardly less tense, and in Holland there is already a large opposition to maintenance of the guilder on its present par.

Matter of Deflation

The French crisis is in some respects similar to the situation in the United States the last few months before the country abandoned gold with, always, acknowledgment of a different temperament and a different political setup. France now is going through belated deflation. Taxes are high but declining business has cut revenue to the point where the government can no longer balance the budget. Salaries have been cut, including civil servants and the host of government *pensionnaires*. This has roused a storm of opposition to the government. Economies have been promised, but living costs have not declined in line with income. Industry is unable to compete effectively in export markets, and the home market is turning sluggish. Unemployment is spreading. Doumergue asked for powers to cope with the situation which strongly republican France was unwilling to give him. Some younger and more vigorous man will probably seize them before France is again placed on a sound economic base.

The Leftist tendency which is evident in the opposition in France is in line with the trend throughout Europe. In Italy and Germany it has been stayed by strong dictatorships which brought some of the most obvious reforms demanded by labor without yielding the control. In Britain, recent elections returned Laborites overwhelmingly, indicating a probable Labor government in the next general election.

A Successor for Schacht

In Germany, resentment against Dr. Schacht is mounting rapidly, may lead to the appointment of a successor before long. Among possible successors mentioned in Berlin gossip is Walter Funk, Assistant Minister of Propaganda and right hand man to Dr. Goebbels. He comes from the press and was, until 1930, financial editor and later chief editor of the highly "capitalistic" *Berliner Boersen Zeitung*. In 1931, he gave up his lucrative position and moved to Munich where he joined Hitler and became one of his main economic advisers. He is undoubtedly much closer to the Nazi party leaders than Schacht ever was and is likely to follow party lines more closely.

France

Political crisis likely to precipitate serious economic changes. Franc weak as gold flows from Paris. Outlook not bright.

PARIS (*Wireless*)—Dramatic events this week in Paris culminated in the government crisis which caused anxious speculators to dump rentes and stocks and francs. The Radical-Socialist party caused the break when they refused to support a demand for continuation of the 1934 budget schedule during the first quarter of next year until, supposedly, the problem of constitutional reform could be handled.

Business and the public anticipated the crisis. Withdrawals from savings banks in the last half of October totaled more than 118 million francs, to accentuate an already serious hoarding situation. The gold flow was reversed, shipments to London and New York assuming considerable proportions even before the cabinet's resignation. The number of jobless is increasing steadily.

Outlook for the immediate future is not bright. Opposition to the present government has been mounting steadily. It has been unable, despite no end of patriotic appeals to the country for support, to solve the problem of steady deflation which has retarded business, increased the number of unemployed, failed to reduce taxes and to balance the budget. And yet, from the opposition there is no strong leader or group of leaders who appear ready with a "plan."

Germany

Germans, dreading shortage of goods, hoard. Campaign for substitutes intensified. Government expands its control over business.

BERLIN (Wireless)—Not unlike the campaigns of war days to "save raw materials" are the present government campaigns to help Germany become free of foreign materials. Germans are urged to save everything from empty tooth paste tubes to empty talcum powder cans, turn them in for use again in some new form.

Reminded daily of the shortage of materials in Germany, the public has become jittery and rushed to lay in supplies of goods for the winter. Bedding, clothing, food all have been in abnormal demand all fall with retailers fast selling out their stocks without being able to replace them. No amount of threats from Berlin have been successful in holding down prices. As pointed out last week in *Business Week*, wholesale prices are now 5% higher than the low for the year, and the cost of living 4% above the average for last year.

Prices Must Not Rise

Aware that public backing will soon be killed if this tendency goes too far, Chancellor Hitler last week appointed a "price dictator" for Germany, Dr. Karl Goerdeler, the Leipzig mayor who occupied a similar post in 1931 under former-Chancellor Bruening. Typical of the determination of the government to keep prices down is the closing of 24 butcher shops in Breslau when they refused to acknowledge repeated warnings that they were charging prices higher than those authorized.

Hitler's dictation over business did not stop here. He has signed a decree enlarging the powers of the Labor Front and, to the dismay of employers in Germany, turning over all property belonging to the employers' associations and trade unions. This includes their mutual aid associations, investment funds, and other economic undertakings besides real property. As significant as the move is the way in which it was made. Even Dr. Schacht (generally accepted "economic dictator" of Germany) and Franz Seldte, Minister of Labor, were unaware of the move until it was announced publicly.

Business Bows to Government

Observers less directly concerned were not surprised. The government, not satisfied with the progress which the synthetic oil industry was making under private initiative, has forced the organization of a big synthetic oil plant from a subsidy which will be derived by special taxes on the lignite industry. This week, the same pressure affected the automobile industry. Dissatisfied with the progress of the sales abroad of German automobiles, the government has caused the automobile industry to establish an "export clearing fund" from which premiums will be paid to exporting manufacturers. Premiums will not be paid in direct proportion to sales abroad but to those manufacturers who achieve the greatest success in expanding sales in new markets. This hits the General Motors-controlled Opel company which is responsible for nearly 80% of Germany's automobile exports, but which is able to make these large sales through the extensive overseas sales organization of General Motors. Opel will be forced to pay heavily into the fund but straight German manufacturers are likely to get the largest benefit from it.

Also along this line, it is significant

that Dr. Schacht has ruled that plans for "barter imports" of American automobiles can be carried through only on condition that exports to the United States are 10 times the value. Which is not barter at all. It quite effectively kills the American automobile business in Germany and accentuates the extremes to which Germany, under Dr. Schacht's direction, is going to equalize German-American trade.

Great Britain

Small uncertainty develops following French crisis. Soviet gold contract settlement opens way for trade treaty negotiations.

LONDON *(Cable)* — Developments in France and the feeling that the German situation is not good and may affect world business have caused a feeling of uncertainty this week which has slightly disturbed business. The franc is already weak on the belief that there may be a succession of quick government changes in France. The internal political confusion may be sufficient to push the franc off gold, and carry with it the remaining European gold currencies.

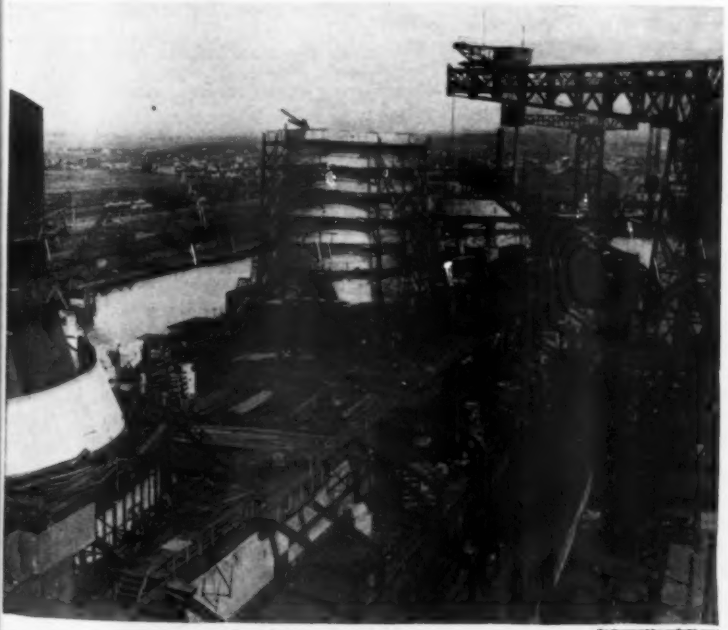
The Anglo-German debt accord is accepted with mingled feelings. While it is an agreeable settlement as far as Britain is concerned, there is little confidence that Germany can or will carry out the terms.

More encouraging is the settlement with the Soviet Union of the Lena Goldfields case. The British operating company which intended to exploit Soviet gold resources in the Lena River region of Siberia but which came into conflict with Soviet authorities on the terms of the contract several years ago will, under the terms of the present settlement, resign their claims for £3 millions, to be paid over a period of 20 years. First adjudication claimed £12.9 millions for the British but the judgment was never acknowledged by the Soviets, who offered to settle for £1 million. With this troublesome claim settled, Moscow is now willing to negotiate a trade agreement with Britain, already the best market of Soviet goods and this year the recipient of the largest volume of Soviet orders.

New issues continue to flow, although not in such volume as was expected before the Marseilles murders unsettled matters. The giltedged markets remain in the ascendant with British funds touching new highs. There is still an expectation that the Treasury may convert its 5% and 4½% Conversion stocks. The first of these has only 10 years before its earliest redemption date and stands well over 18 points above parity. A total of over £600 millions would be affected.

Birmingham Gets Factories

Birmingham, England's largest provincial city, has been selected as the location for their British plant by a number of American firms. Among the more recent are Schrader's Sons Inc., of Brooklyn, the motor tire valve manufacturers, and the Cincinnati Milling Machine Co. The latter firm has just completed the erection of the first section of its factory on a 3-acre site and has in production several types of machines not previously manufactured in England.



International News

DEFEATING HAZARDS—Fire's heavy toll in the shipping world in recent years has moved the builders of the new high-speed French luxury liner *Normandie* to employ exceptional fireproofing devices. The boat, now building at Cherbourg, is scheduled to make its first trip to New York in June, 1935.

Canada

Spurred by pro-Stevens sentiment, mass buying investigation continues. Potato marketing pool to handle surplus. Wheat pegged.

OTTAWA—Many branches of Canadian business and industry, particularly primary producers and the retail trade (apart from department and chain stores), continue to be deeply concerned over the withdrawal of H. H. Stevens, New Deal protagonist, from the Bennett ministry and from the chairmanship of the mass buying and price spreads committee. Although the cabinet criticism which led to his resignation was on the sound ground of the unquestionable impropriety of his course in pronouncing judgment on big business firms before his probe was completed and without consulting his ministerial colleagues, business interests victimized by the unethical practices of larger interests and the public at large see in the situation evidence of inordinate government concern for "the big interests."

The mass buying and price spreads investigation has been resumed and is proceeding under the chairmanship of Major W. W. Kennedy, M.P., Winnipeg lawyer. The first week following the reopening was devoted to the fishing industry of the Maritime Provinces. Central Canada wholesale and retail dealers entered the picture with the charge that fish shipments on consignment to chain stores and subsequent sale as "loss leaders" together with misrepresentation by the chain stores as to variety and quality affected the market.

Wheat Is Pegged

First result of the demand of John I. MacFarland, wheat pool selling agent and federal government representative in price stabilization policy, for regulation of the Winnipeg Grain Exchange futures trading is the pegging of wheat prices on the Exchange. Action was taken at the request of Ottawa. December futures are pegged at 75¢ and May futures at 80¢, Fort William basis. The peg went in at the market level of Nov. 1. The government agent is taking up hedges on purchases, enabling elevator companies to function normally.

A marketing pool scheme for the potato surplus of the 5 eastern provinces has been approved under the new Marketing Act. Its operation depends on the consent of Ontario, Quebec, and Nova Scotia; New Brunswick and Prince Edward Island have already consented. Estimated surplus is 7½ million bushels. In some sections, a price of 10¢ a bushel is being received.

Canadian International Paper Co. has made another 5% increase in wages of all employees, following 2 other increases of 10% and 5% respectively within the year.

MacLean Building Reports, Ltd., Toronto, show that construction contracts in Canada for October amounted to $11 millions, bringing the total for the 10 months of 1934 to $109 millions, a 39% gain over the same period in

1933. October contracts moved against the seasonal trend. Contemplated construction for the year to date is placed at $219 millions, up 27% from last year.

With a minimum hotel tavern license fee of $300 a year and a rising scale of fees where business amounts to more than $5,000, together with profit on the sale of all beer in the province, the Ontario government's revenues will be considerably supplemented by the recently reestablished public sale and consumption of beer. The government is turning over 20% of collections to the municipalities from which they are taken, but some of them have announced their refusal to accept the "tainted money."

Latin America

Markets in Latin America expand. Credit conditions reported by National Association.

Business, watching expanding foreign markets, made some hasty calculations when foreign trade figures for September were released. Latin American markets are expanding their purchases in the United States well above the average. Purchases by the United States in these countries are growing less rapidly. Results are tabulated.

Exports for 9 Months (millions of dollars)	1933	1934	% increase
Total	1,105.0	1,561.3	41
Argentina	24.9	31.8	28
Brazil	20.0	29.8	49
Chile	3.5	8.0	124
Colombia	10.8	16.4	51
Cuba	19.2	32.1	67
Mexico	26.8	40.5	51
Peru	2.9	7.2	150
Venezuela	8.6	14.4	67
Imports for 9 Months			
Total	1,036.6	1,241.7	20
Argentina	22.1	21.9	1*
Brazil	60.3	65.8	9
Chile	7.9	17.5	119
Colombia	37.8	37.9	
Cuba	44.2	49.7	27
Mexico	23.3	28.2	21
Peru	3.6	4.7	30
Venezuela	10.6	16.1	51

* Decrease

The National Association of Credit Men at the same time issued their third-quarter report on credits and collections in Latin America. In the following countries the credit position had weakened: Dominican Republic, Salvador, Colombia, Costa Rica, Uruguay, and Nicaragua.

There was continued improvement in the credit position in Mexico, Paraguay, Chile, Ecuador, and Bolivia. Mexico is the only one of the 21 markets where credit conditions were classified as "good."

Improvement in the collection index is spread among 7 nations: Honduras, Argentina, Brazil, Ecuador, Nicaragua, Bolivia, and Chile.

Wide World

RAIL SALE—Compromises mark the agreement between the Soviet and Japan for Russia's sale of the Chinese Eastern Railway to Manchukuo. Japan guarantees the Manchukuan payment (roughly $50 millions). The deal was closed by Japan's Foreign Minister Hirota (left) and Ambassador Yurenev of Russia.

Far East

Profits up in Japan but outlook is clouded in foreign markets.

Profits in Japan of 97 companies in 18 different kinds of industry during the first 6 months of this year totaled ¥213½ millions, an increase of ¥33 millions over the second half of 1933 and a really considerable jump of ¥135 millions over the second half of 1931, in December of which Japan left the gold standard. Greatest gains were in the rayon, spinning, chemical and metal industries.

Optimism over such reports is tempered by threats to Japan's export business from various parts of the world. South Africa is demanding that Japan buy 50,000 bales of South African wool next year or be subject to higher duties on the products which South Africans have been purchasing in rapidly increasing volume of late. Japan last year bought 20,000 bales under a similar threat and is reluctant to do it again because the total may be further boosted in another year. Also, the import of wool from such a distant source entails a loss to Japanese purchasers compared with the cost of Australian wool.

The deadlock in the trade negotiations with the Dutch East Indies is another retarding factor. The conference opened last June and has accomplished nothing. Neither side will concede anything. The Indies are threatening restrictions on Japanese business, particularly the import of cotton textiles, unless the trade is more nearly balanced by the purchase in Japan of goods from the Indies.

High silver prices have stimulated demand in China and Manchukuo for Japanese goods, but are adversely affecting Japanese investments in Manchukuo since the Manchukuan currency has appreciated recently about 58% in terms of yen.

New York reports that gingham mills, in the midst of their best season in years, are running into competition from Japanese who recently have sold substantial yardages to several chain store groups at prices under the market.

Chrysler Barred

Another threat that the "open door" in Manchukuo is being closed to foreigners came this week when agents of the Dodge and Chrysler companies in Japan announced that they had been refused permission to build an automobile assembly plant at Dairen. Washington is still negotiating with Tokyo over the alleged threat of Manchukuo to establish an oil monopoly.

Considerable increases in the consolidated tax on cotton yarns which were planned by the Chinese for imposition on Nov. 1 have been postponed because of vigorous opposition from the Chinese Cotton Mill Owners Association, which threatened to close its mills. The tax is likely to be imposed but the Chinese mills may receive government aid to weather the depression. The new rates, if imposed, may result in a decreased consumption of American raw cotton.

British Labor

Thirty years of trade unionism in England have taught much to both labor and capital.

LONDON (*Special Correspondence*) — British labor policy, if it is going to be taken as a model in the United States, should not cause executives there undue worry. Though British labor is organized and vocal, its powers are definitely curbed by legislation now 7 years old.

British labor, for instance, is refused the right to call a general strike. Mass picketing is illegal. The government does not interfere between employers and unions, though it is available to both sides as an arbitrator. The employee is free to join his own union and elect his own representatives. Minorities in a works must accept the collective bargain negotiated by the union. Unions are required to make an accounting to the government of receipts and expenditures. The rights of workers who wish to continue their jobs during a strike are defined.

Unions Called Necessary

The trade union is not only an accepted feature of British industrial life, it is regarded as necessary under the capitalist system. At the end of 1931, there were more than 1,000 unions in the United Kingdom with a membership of about 4,611,000 (these were unions of employees only).

The usual procedure is for a trade union and its appropriate employers' federation (or association) to draw up an agreed schedule of hours and wages. Beyond this maximum of hours, labor is paid special overtime rates.

There are isolated examples in Britain of "company unions" in which the employees of one company are organized, but they are unpopular and are generally the device of an employer to prevent the trade union from taking too strong a hold of his works.

Too Much Politics

The business view of trade unions is that they have destroyed a good deal of their usefulness by becoming political machines. Leadership is good, but it is apt to degenerate into political rather than industrial leadership. The average worker was rebuffed by the stupid handling of the general strike, and unions lost considerable power following 1926. Recently, more intelligent handling of crises has helped them regain prestige.

Unions are for the most part craft unions. In the newspaper trades and in the railways, for example, there are several unions. The distinct tendency of late is towards unification into single industrial unions. Unions are not allowed among civil service workers.

Despite the strength of the union system in Britain, there is nothing like 100% membership in trade unions. There are any number of "free houses," where both trade unionists and non-unionists work together. There also are non-union shops. But the great majority of industries are well organized and even non-union shops generally pay trade union rates.

Ontario's TVA

New plan will boost refrigeration sales among farmers, with financing provided by government.

OTTAWA (*Special Correspondence*)— Farmers in Ontario province are going to be encouraged by their government to install individual cold storage facilities which will boost sales of refrigerator units, provide a new outlet for 200,000 to 500,000 hp. of electric current, and will aid farmers in the more orderly marketing of their perishable produce.

Estimated cost of the electrical equipment for the farmer's individual cold storage unit is $100 to $250, to which must be added the cost of the housing.

Electric power is produced by the government in Ontario, under the Hydro-Electric Power Commission. This commission already has authority and funds to finance 50% of the cost of new power line construction in rural communities. Since 1930 it has made direct loans to farmers to finance the installation of wiring, motors, grain grinders, pumping equipment, milking and washing machines. These loans can be made for the full amount of the outlay up to $1,000, the rate of interest being 6%, collections added to bills for current.

The government will probably finance the new refrigeration units in the same way. The commission will not contract for the equipment with manufacturers, nor will it make any special arrangement for them to provide equipment at special prices. Consumers are free to make their own purchases, simply arranging for financial assistance from the commission. If villages and small towns wish to erect cold storage plants, the commission probably will aid in their financing. Some rate reductions will be made.

A commission survey revealed recently that farmers are well equipped with some appliances operated by electricity but distressfully lacking in water pumps, bathroom facilities, and lavatories. In one typical district, out of 129 farm homes, 119 had electric irons, 94 had radios, 85 toasters, 70 washing machines, 32 hot plates, 21 vacuum cleaners, 26 water pumps. Less than 15% have baths and lavatories. In 1929, the system had 37,000 rural consumers. By June, 1934, this had increased to 62,706 who consumed an average of 938 kw.-hr., in comparison with an average in cities of 1,589 kw.-hr.

Money and the Markets

Foreign influences disturb monetary operations and strengthen commodity markets. In Wall Street, the upturn in confidence is, for the moment, a turn toward stocks. Investors keep an anxious eye on Treasury balance and tax returns.

For all its $1.8-billion Exchange Stabilization Fund, Washington has been unable completely to choke off importations of gold due to panicky conditions in the European gold currencies. After a modest outward flow during September, the tide has turned toward the United States again. The metal has come in driblets and until recently has not reached us directly from France or Belgium, the points of immediate concern in the international monetary puzzle.

Gold Stocks Mount

Nevertheless, from here and there, enough gold has come in to push monetary stocks above the $8-billion level, almost $1 billion higher than when the $35 price was established last January. Although nominally a new high, we actually held more ounces of gold for a time in 1927 and again in 1931.

Such an increase in gold stocks is the last thing the Treasury wants at this time. Piling up in this country, the gold merely reflects itself in greater excess reserves and redundant bank balances. Left abroad, it could expand the credit base upon which foreign purchasing power could be rebuilt.

If the trend continues, there will be an urge to find more effective means of using the Stabilization Fund to counteract the natural tendencies forcing the metal upon this country. Its operations are clearly handicapped for the moment by the extraordinary disturbances in foreign exchange wrought by the unsettlement in the gold-bloc currencies. Since China stopped the flow of silver, it has evidently been impossible to purchase the white metal in sufficient volume to balance other elements in the exchange equation.

If the Export-Import Banks were ready and in position to force out dollar credit in generous amounts, or if the private capital market were ready to start making foreign loans again, either could provide a solution for the problem. They are not ready, however, and, for the time being, we apparently must rely upon what the Stabilization Fund can do.

Meanwhile, the additional gold comes into a banking structure saturated with funds and receiving repayments on outstanding loans faster than it is making new loans.

This liquidation of old loans obscures what the banks are accomplishing in the direction of pumping credit into commercial undertakings. Results come clearly to light in an analysis just made by the Association of Reserve City Banks.

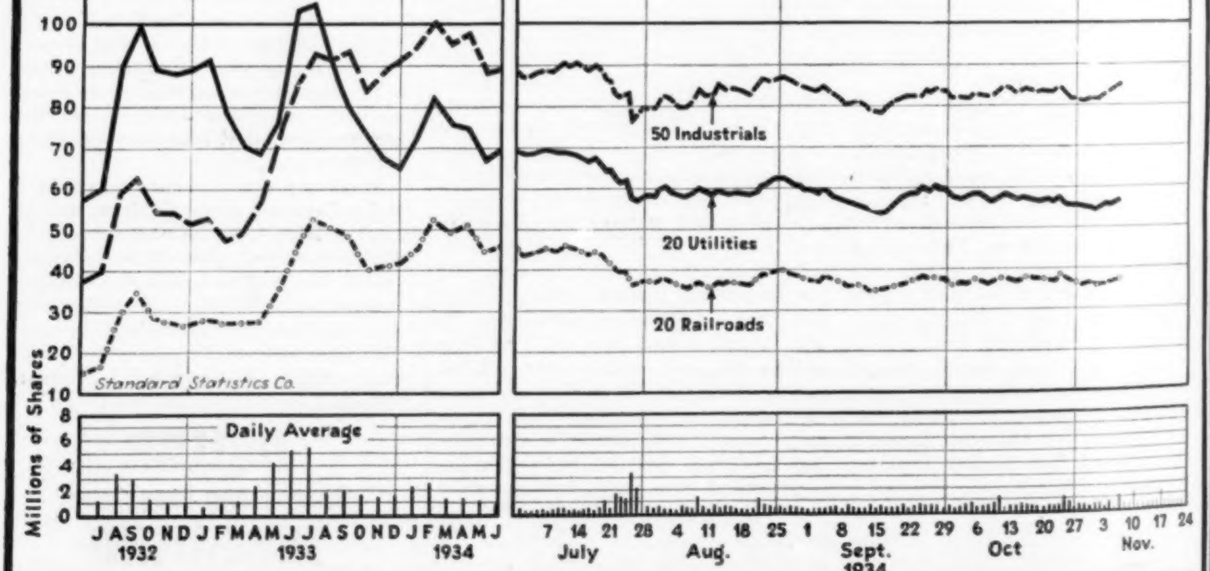
The survey of a group of banks which account for better than a third of the entire system shows that new loans totaling $3,977 millions were made during the first 6 months of 1934. In contrast, total loans outstanding declined during this period, indicating that over $4 billions was collected on old loans.

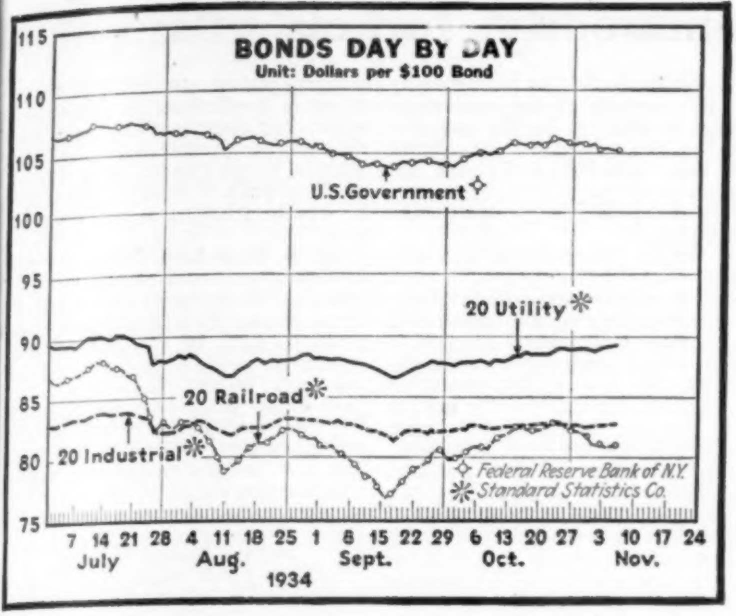
In answer to the charge that banks have retarded credit expansion, the survey shows that all commercial banks of the country have extended credit lines of something between $8 billions and $10 billions to all types of businesses, large and small. Such commitments are a definite expression on the part of the banks of their willingness to lend money in these amounts. On the average, less than half of the accommodation offered is being used by business at this time.

Stocks

Definitely breaking away from the narrow trading range of the last 2 months, stocks recently have shown greater spirit, advancing into the best ground since August before they encountered any considerable resistance. The market seems to work upon a dual philosophy: that, with the New Deal more firmly in the saddle than ever, recovery will come from "natural" forces or through inflation; that, in either event, more active business, more dollar turnover, more indications of prosperity, will be reflected in higher security values.

Primarily, however, stocks have taken





their cue from favorable business developments. The market is paying strict attention to the steady though modest upturn in steel mill operations, acknowledges the favorable start that merchandising has made toward its big year-end season. Settlement of the A.&P.'s labor trouble moderated fears that a recurrence of widespread industrial strife was ahead. Henry Ford's optimistic statement was taken pretty seriously: the financial district feels that the Detroit motorman is usually sincere.

Perhaps the most significant reflection of Wall Street's more optimistic attitude toward the future of business is its interest in "reorganization" stocks. Developments in McLellan stores, operating in receivership but reporting earnings good enough to occasion keen bidding among several groups looking toward its reorganization, have underlined this type of situation. The recent interest in Wilson & Co. is along the same lines.

Incidentally, all the packing shares are in the limelight at the moment since they will be the next important source of earnings reports. In contrast with recent quarterly statements, the annual reports of the packers, who closed their year Oct. 31, are expected to be good.

Bonds

INVESTMENT markets are suffering from neglect. Trends in bond prices suggest that the better feeling about the future of business has diverted interest from the fixed-income securities into equities. This would be a natural development if the improvement that has recently prevailed in stocks is to develop any consistency. It was the higher-grade investment mediums that received the first impetus. The main body of bonds has already enjoyed a considerable advance and, if business conditions actually warrant the upward trend in security values, would normally be expected to show a letdown while stocks were brought up.

Bonds are not without their strong features, particularly the industrial issues favored by current trade developments. Utility obligations of better grade have been in fair demand. Railroad liens have lost favor along with the carriers' junior securities.

Government bonds have tended to be heavy, evidently reflecting a general feeling that yields had again shrunk to near the minimum in view of further heavy financing ahead of the Treasury.

Some Treasury Figures

So far in the new fiscal year, the Treasury has been running mainly upon its accumulated balance. General funds have been drawn down $770 millions in this process, whereas the net increase in borrowings has been only $135 millions. There still remains $1.8 billions in the general fund but, at the current rate of expenditure, even so generous a reserve would fade rapidly unless regularly replenished.

October expenditures of the government totaled $758 millions, highest since April. Spending for the first 4 months of the new fiscal year aggregated $2,254 millions, up 60% from the previous year.

Government revenues have likewise increased, but not fast enough to hold down the deficit. Total receipts for the 4 months amount to $1,214 millions, a gain of $286 millions over last year. This was enough to take care of the so-called "regular" expenditures, to provide for $90 millions debt retirement, and leave a surplus of $70 millions.

"Emergency" expenditures swelled to $284 millions in October, however, and for the first 4 months stand at $1,112 millions. This indicates that recovery costs have been running almost 3 times as high as in the same period last year, when the emergency budget was only $399 millions. But there are some adjustments that must be considered.

The 2 big elements in these expenditures are the Federal Emergency Relief Administration which has disbursed $456 millions to date in the new year, and Public Works which has advanced and spent $478 millions. Neither of these were more than swung into action this time last year. The "boom" of the summer of 1933 carried over into October and the government's relief job only really started then.

So far, the Treasury has run a deficit of $905 millions for the first third of its fiscal period, whereas at this time last year the shortage was $464 millions. It would be foolhardy to jump to conclusions about the final deficit from this starting point. Relief and public works expenditures are evidently going to be higher but it is to be hoped that income tax returns will likewise be greater during the last 6 months of the fiscal period, since they will be based on 1934 calendar year results which indicates further improvement over 1933. The Treasury has $3 billions leeway remaining before it exceeds last year's final deficit.

Commodity Markets

Broad firming tendencies have recently been felt throughout the commodity markets. Inspiration for the improvement has come largely from abroad where there have been indications that the short stock position in many commodities is beginning to get recognition in quotations.

The foreign influence has been particularly helpful in grains. Here domestic prices have depended for direction almost entirely upon prices abroad. Foreign markets developed strength at the close of last week and continued upward into the new period, extending their gains during the Tuesday holiday in this country. In consequence, upon resumption of trading here Wednesday, the markets had a far more confident foundation upon which to build.

It has been difficult to understand at all times how domestic prices can hang so abjectly upon foreign ones, particularly in view of the tariff protecting domestic prices and the definite shortage of supplies in this market. It should be borne in mind, however, that the outstanding shortages are in feed grains. In feeds there is actually no such thing as a deficiency, since just such quantities as can be made available will be used. The deficiency shows up in livestock going to market without lot feeding and is reflected in a shortage of higher-grade meats.

Wheat Is Different

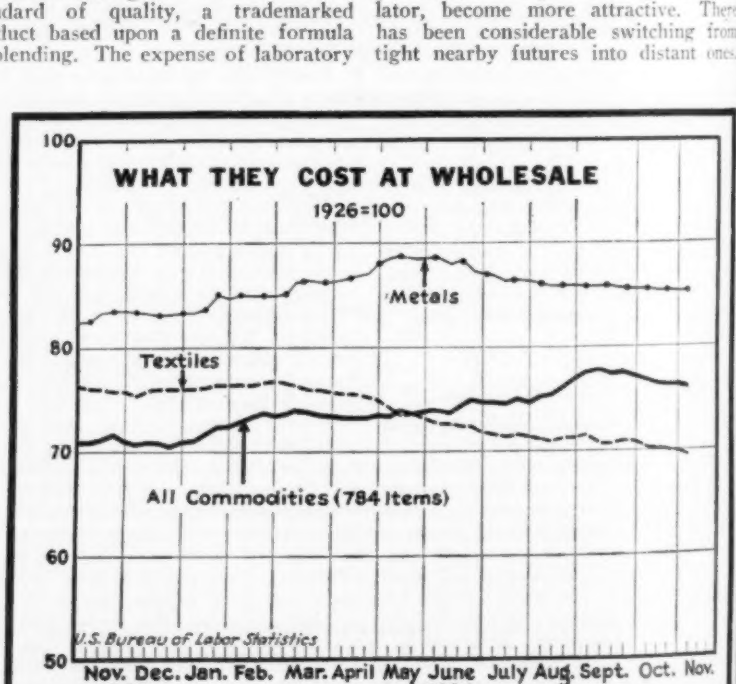
Furthermore, feeds can be imported. In fact, tariffs have been removed to permit free importation of Canadian feeds. Likewise, in feeds foreign supplies can be used with practically the same results as local ones. This contrasts with the situation in wheat. Most millers of feed grains have a definite standard of quality, a trademarked product based upon a definite formula of blending. The expense of laboratory experimentation to include foreign wheat in a substitute formula and the uncertainty about possible market reactions to the product make the miller hesitate before introducing a different grade of grain where his standard quality can be provided at any reasonable cost.

There have been indications that foreign interests might soon be expected to enter our depressed cotton markets. Some buying from England is anticipated in light of the Anglo-German agreement which is expected to untie the knot in the Lancashire-German yarn trade. Trade reports indicate that the long curtailment of the domestic trade has brought retail textile stocks and mill inventories down to a point where cotton consumers will soon have to come into the market on a bigger scale.

Rubber Control Steadied

Rubber prices regained their equilibrium upon announcement that the British and Dutch producers had agreed upon a 25% restriction for the first quarter of 1935. Greater restriction, up to 35%, had been anticipated in some quarters. Choice of the more conservative figure was taken to mean that controls would probably be more absolute and, in the long-run, more effective. A previous weakness in control effort was the attempt to hold all interests to too low a basis.

The fact that commodities were able to throw off the lethargy that has recently characterized their movements has helped to revive a speculative interest in their markets. New lines are being put out in several actively traded items; furthermore, the more distant positions, recently avoided by the speculator, become more attractive. There has been considerable switching from tight nearby futures into distant ones.



Editorially Speaking—

WITH the Christmas season will come jobs in the country's retail stores for some half a million workers, if retail business continues its present trend, says a National Retail Dry Goods Association expert. Present indications are that the tide of gift-bent customers will require employment of 187,000 extra workers in November and 354,000 more in December. They will get wages totaling at least $30 millions, and there will be work for more thousands of postal and transportation workers. Practically every line of industry, it is added, will feel at least indirectly the stimulating effects of good holiday business during the next two months.

FORD'S British subsidiary, which is reported to have come in for a good slice of the 8 hp. market on the Isles last year, is featuring a new 10 hp. car that trade men expect also will make a big dent in its rapidly growing field.

REPORTS come from Chicago that a restaurateur is hiring the wives of his male employees one day a month for six months. His idea is to have the feminine kitchen technicians shadow their husbands during the day's work, offering assistance and advice where such seem in order. That sounds like a new torture device for men.

THE bronze trade is rapidly encroaching on the gravestone's grisly domain—the cemetery. During the last two years more than 600 no-monument cemeteries have been established in the United States, with bronze plaques in place of monuments and statues. The American Cemetery Owners' Association thinks the trend toward these new-style memorial parks will be greater in the future. Epitaph: The old town doesn't seem the same without its marble orchard.

WIDESPREAD rumors of mergers of Wall Street brokerage firms have been fathered by the severe slump in trading activity on the New York Stock Exchange this year. Personnels have been slashed right and left, and stagger systems have considerably reduced the salaries of employees retained. Shares traded in the first 10 months of 1934 totaled roughly 280 millions, less than half the 586 millions of the same 1933 period, and 100 millions under dismal 1932. The October total barely exceeds three-eighths of the volume in October, 1933, and trading last week, for instance, reached a mere 2,780,770 shares, just a fair day's business once upon a time. Blame for the dilemma is placed laregly on public disinterest in the Big Board. Present and prospective retrenchment of commission houses beclouds the horizon of real estate operators in the financial district, too. The biggest tenants in many a lofty skyscraper on Manhattan's tip are brokers.

A SCHOOL for brain trusters is something America lacks. Or did lack. Perhaps Harvard is to fill this gaping breach. Its Business School is inaugurating a program of public administration, "designed primarily to prepare students for the business aspects of public service." Yale now can get the upper hand by establishing a course for Presidents.

BUSINESS conditions in the agricultural belts are definitely better, patronage at fairs throughout the country indicates. Attendance figures so far this year show a gain of roughly 10% over last year. Department of Agriculture estimates of attendance at 19 of the fairs at which it had displays this year total 4,316,325, compared with 3,881,098 at the same fairs in 1933. Many a country store economist considers "the fair" a business indicator for the following winter.

NOT much longer are Englishmen likely to look at the world through gold-rimmed glasses. With gold at $35 an ounce, Britishers are showing a sudden willingness to toss aside old prejudices and rim their glasses with shell or bone. It is an unexpected result of the new high prices for the yellow metal.

THE Treasury Department is going right to the source of supply to protect its beer revenue. Brewers must install meters at all their plants by Mar. 1, next, for measuring and tax-payment of their product. Government tests have proved that meters are more scientific and accurate, and remove the opportunity for tax evasions that crops up under the present tank system. All beer going into trade will have to pass through the federal-controlled meters.

THAT new streamlined train for the New Haven will have Westinghouse diesels as well as Westinghouse electrical equipment, air conditioning, and lighting equipment. Our error. Westinghouse has been making railroad diesels for some time.

THE new Philadelphia & Reading Railway bridge over the north branch of the Susquehanna River in Pennsylvania has a welded solid steel deck covered with an asphalt pavement on top of which the conventional crushed stone ballast carries ties and rails. Flexibility, safety at full speed, but greater danger to cows and pedestrians who were discouraged by the old open-work railway bridges, are cited as results.

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Banking Platform

We have made our protest against an alarming tendency to regiment banking under political auspices for the purpose of bringing the credit structure of the country under the complete domination of this or any other national administration. The crisis is real and immediate, but we contribute little and business and banking accomplish nothing by merely pointing with alarm.

Direct and indirect losses amounting to billions of dollars can be traced to the bank failures of the last 5 years, and they in turn grew out of 3 fundamental evils of bank administration and regulation. The first of these is an almost criminal laxity in the granting of charters authorizing the establishment of new banks. The second is the competition between state and national banking systems wherein Congress on the one hand and state legislatures on the other, actuated by political motives and too often encouraged by banking politics, enacted legislation to relax the rules of prudence and common sense in order to attract charters from one group to the other. The third lies in the inadequacy of examination, incompetence of examiners, the impingement of politics on bank regulation, and the failure of banks to do a proper job of examining and regulating themselves.

The first two evils can be corrected only by congressional and legislative enactment. The third requires the administrative attention of state and national authorities, but real reform will come only out of indignant protest and hard work on the part of bankers themselves.

More would be accomplished by correcting charter abuses than by any other reform. In most of the states all that is required to start a bank is a few thousand dollars, frequently borrowed, and a nodding acquaintance with some politician. The banking crisis, which actually began 13 years ago, found one state with one bank for each 782 citizens—men, women, and children—too large a proportion of whom resided on wind-blown and fleabitten economic subdivisions politely called ranches.

The desirability of establishing a single national banking system is debatable, but it is our belief that no other plan promises relief in the near future for the undeniable evils of competitive laxity. Many bankers fear regimentation and socialization as a result of unification, but they don't answer the problem. They can answer it by demanding and obtaining a sound national banking system in the commercial banking field that is relatively free of political and administrative coercion.

The problem of examinations is also difficult, but it can be solved. It is in this field that organized banking has thus far fumbled its opportunity to create public good will and protect its own interests by creating a structure so sound and progressive as to be immune to the destructive corrections of politics. But the only system of bank examinations that has ever functioned well enough to have forestalled the public protest of recent years has been that in which banks examine themselves through their own clearing-house organizations.

It seemed for a time that bankers would solve this problem through an NRA code that would force the organization of all banks into clearing-house districts. It was not primarily the fault of bankers that maladroit publicity destroyed the code, but it is the responsibility of bankers that with or without a code they did not proceed vigorously with a clearing-house campaign. It was expected that this would be done immediately after the banking holiday, but there are fewer clearing-house associations today than there were in 1931.

Here, then, is a suggested banking platform for the country as a whole: Stop the indiscriminate issuance of charters, put an end to destructive competition between state and national banking systems, and provide adequate bank examinations under a system that will require banks either to close their doors or make restitution the moment capital is impaired and long before the depositors' money has been dissipated.

All business should insist upon such reforms and help to bring them about. Only by such cooperation are they likely to come about.

Knoxville Doesn't Want To Be "Saved" From TVA

Thirteen coal and ice dealers, nonresidents of Knoxville, Tenn., are greatly concerned over the constitutionality of the Act of Congress which set up the Tennessee Valley Authority. Inspired by that keen interest in abstruse questions of law which is characteristic of ice and coal dealers everywhere, they have spontaneously joined hands to hire distinguished counsel and test the act. At least, that is their story, and so far they have stuck to it. Moveover, they have won a decision in a Tennessee state court which kills the agreement whereby TVA was to purchase the physical property of the Tennessee Public Service Corp.

Citizens of Knoxville are enraged. With deplorable but somehow understandable cynicism, they just won't believe that some scattered coal and ice men felt moved to dig up the considerable expenses of a lawsuit the outcome of which could hardly be a matter of life or death to them. Knoxville folk believe "Wall Street" is behind the fight. Not TPS, which was satisfied with the terms of sale to TVA, but other interests opposed to the government experiment. So Knoxville has revived its plan to duplicate the TPS distribution facilities in the city and environs, building the new system partly with a PWA loan.

Asserting that to construct a duplicate electric distribution system in Knoxville and force the TPS to abandon its investment would be a shocking and outrageous thing, TVA went to great lengths to make a deal for purchase of the property. At the end, 90-odd per cent of the private owners were satisfied.

Now it seems that stock- and bondholders in TPS are apt to lose their investment, and the TVA is going to be forced into the ugly position of condoning this destruction of private capital. And when time has a little obscured the record, say about 1936, the incident will be held up to show the ruthless march of socialism under the New Deal.

What all this proves, we are not quite sure. Except maybe that it is always the extremists who make it hard for the rest of us.

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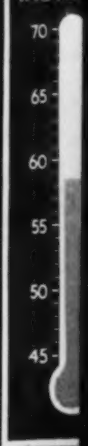

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